THE MAGAZINE OF WALL STREET

FEBRUARY 20, 1932

India to the Rescue of the Gold Standard

By JOHN C. CRESSWILL

•

Charles Benedict on

What's Behind the Fear Psychology?

•

Semi-Annual Dividend Forecast

Part II

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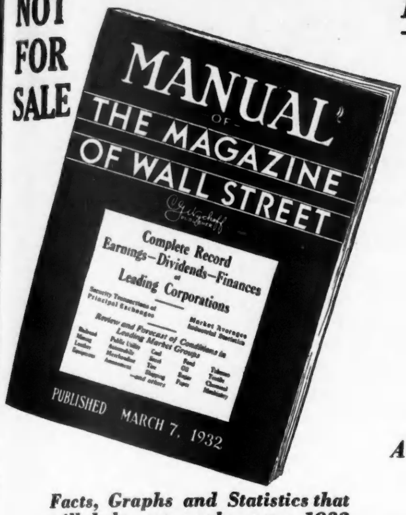

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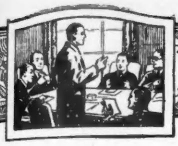


WITH THE EDITORS

Choosing the Right Investments

OF the 150 companies listed on the New York Stock Exchange which have to date reported their 1931 earnings, 23 showed larger earnings than in 1930. That a few companies were able to so stand out in a year when sharp declines and deficits were the common experience is eloquent testimony of irregularity of the trends of individual industry. It demonstrates once more that business does not, and cannot, from its innate complexity, move as a unit. In the most prosperous years of the boom some industries were beginning to experience a decline. They did not attract a great deal of attention, it is true. The defection of a few soldiers in a charging regiment is significant but the advance of the broad front obscures them. Conversely in the industrial rout of 1930-31 a few industries either withstood the back swirling current or were able to adjust themselves sufficiently to turn and start to climb back to normal while the majority continued their descent.

As the pulse of general business grows stronger the number of those advancing will increase until the procession of the major industries finds a few in the van, a great body slowly improving behind them, and in the rear, the real laggards who may be months later in joining the advance, if ever.

Now such a situation has a very practical meaning to investors at this time. We are approaching the recuperative phase in the business cycle when the disparity in the rate of recovery will be most marked between various industries and the leading companies which comprise them. Naturally it will prove most advantageous to hold the stock of a company destined for rapid recovery than one in which improvement may be delayed. For example a well-diversified company in the chemical industry is a more likely prospect for price gains than the strongest of the coppers. For whereas the chemical industry may receive a stimulus from an upturn in any one of a dozen markets, the copper industry is due for a prolonged and painful period; not because demand will not increase with business but as a result of huge overproduction and stocks both at home and abroad. This is clearly shown in the article by F. E. Calkins which appears in this issue. Similarly, the merchandising stocks as a general thing should experience more rapid gains than the steels, equipments should outdistance the oils, and so on. Other illustrations of companies which should experience early betterment are to be found among those which have been least affected by the depression or which have been quickest and most skillful in adjusting themselves to the new conditions imposed by general business lethargy—those companies which have freed themselves of heavy inventories and whose prospects are not beclouded with excessive production facilities.

The investor who will profit most under such circumstances will, of course, be the closest observer of industrial trends. He will seek the most promising leading companies for employing new funds while prudent switching from the dormant, slow convalescent issues to those that will be most responsive to the generally quickening pace, will improve the character as well as the profit prospect of his holdings.

In the Next Issue

Tinkering With the Banking Machinery

By THEODORE M. KNAPPEN

—Will the new legislation prove more than a temporary spur to business? What of its subsequent repercussions? Is it of a fundamentally constructive character? How much dynamite is there in it?

What Corporate Statements Show

By LAURENCE STERN

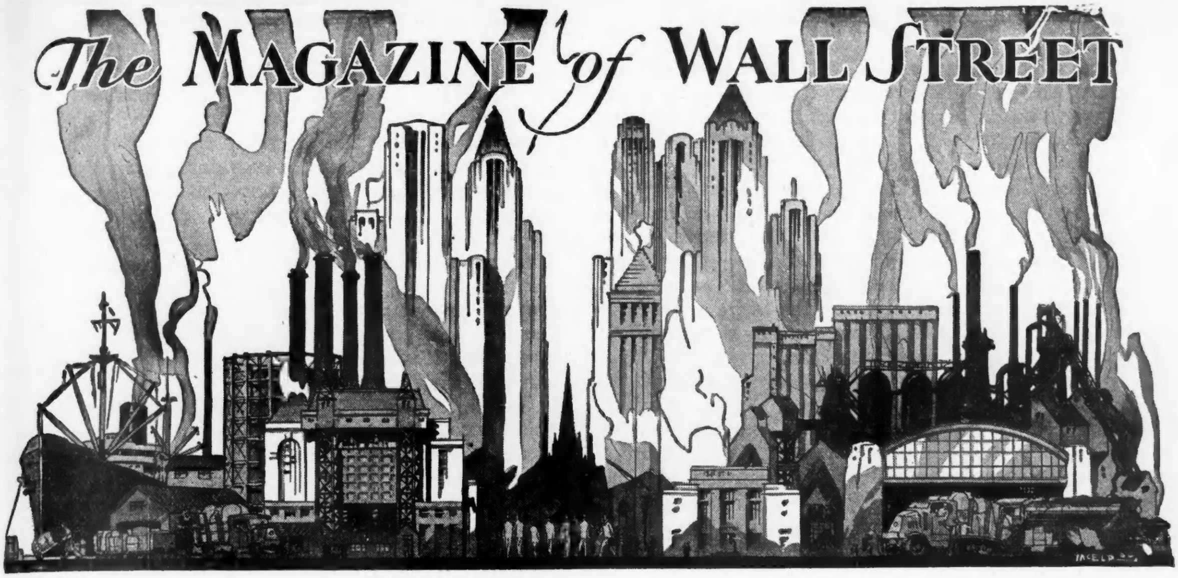
—Two years of depression is effectively separating the sheep from the goats in corporate management. The revelations of this critical study will be found of incalculable help in appraising both current and future investments.

New Farm Economy Leads Business Recovery

By C. S. BURTON

—How agriculture is adjusting itself to present conditions and the outlook for the future.

Selected Opportunities for Investment and Profit



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Associate Editor

Investment and Business Trend

Adjustment Under Way—End of Free Trade—No War To End This War—The Harmful Hoarder—Ford Enters the Game—The Market Prospect—New Federal Reserve Powers

ADJUSTMENT UNDER WAY

BUSINESS progress during the first month, and for that matter a good part of February, has been disappointing. At least it would be difficult to establish any general improvement statistically, and yet there is evidence that fundamental adjustments are under way which are bound to make for early betterment. The exigencies of depression itself have given rise to them. For example the January records for New York State reveal that the number of new business enterprises is the highest, with one exception, for any month in two years. This would indicate that an increasing number of people have sufficient confidence in the near business future to start a new venture at this time, but what is perhaps more important it suggests that a growing number of unemployed are adapting themselves to new conditions and new means of livelihood. This is borne out by the large proportion of small companies formed. Apparently the fact that the small business has in the main, because of its easy adaptability, been more successful in riding out the storm of this depression than the big unwieldy corporation is being commonly recognized. Reports coming from other centers throughout the country confirm the trend of the unemployed skilled artisan or salaried worker toward the establishment of independent businesses.

It is true that a touch of desperation has been necessary to give the impetus and courage to a number of enterprising individuals but the result is to quicken the pulse of business generally. There is a wholesome tendency to recognize conditions and make adjustments to them. Such an attitude is apparent in many farming communities. Times are trying, taxes heavy and unpaid, prices low but diversity of crops is increasing, marketing is more aggressive and families are getting along somehow. There is less passive waiting for times to improve on the part of agriculture, industry and trade. Such an attitude is supplanted by an increasing adaptation to the present conditions, bad as they are, which is of course the quickest way to insure that they will get better.

END OF FREE TRADE

BY act of Parliament Britain has definitely "gone protection." With some exceptions, for the colonies and for bargaining purposes with the dominions and other nations, all goods that were not hitherto under a revenue tariff or the emergency safeguarding act are now subject to import taxes. As soon as reciprocal arrangements are completed with the dominions—which it is excepted will be accomplished

at the approaching session of the Imperial Conference at Ottawa—virtually everything that the United States now sells to Britain will be subject to an import duty and discriminations in favor of the colonies. The last free market in the world is closed.

Inasmuch as we believe in protection for ourselves we must be consistent and concede that it may be good for Britain. Certainly it is not for us to criticize the decision of the British people that their interests demand alignment with the general world adhesion to the system of protection. But the universal rush to force exports and curtail imports is certain to require a general reorganization of the economy of the world. Trade between nations is everywhere eclipsed by domestic trade. The contraction of trade as a whole must be faced, because the area and opportunities for enterprise are being restricted. With the exception of an economically integrated British Empire the United States is better situated for concentration on the domestic trade than any other nation—but we might wish that we had more undeveloped territory under the Stars and Stripes.

NO WAR TO END THIS WAR

JAPAN has Manchuria, she will have Shanghai, she may go further in China. Nothing has been done to stay her advance except the discharges of salvos of diplomatic notes. She is determined upon the economic annexation of China, with as much territorial occupation as may be necessary to that end. It is easy to criticize Japan upon moral and ethical grounds but no western nation has any right to question her policy of expansion. When nations feel that national welfare and future growth depend upon expansion they are going to expand when the opportunity offers. "Empire knows no law." The United States itself has a record of expansion by military force, from 1776 to the war with Spain, that will not stand a too searching appraisal according to the standards of relations between individuals.

Japan's expansion is however at the cost of territorial losses to China and an impairment of the sovereignty of that vast but weak nation. It is also at the cost to the western powers of something approaching monopolization of the greatest potential market in the world. But there is another side. If Japanese domination of the Orient ensues we will undoubtedly lose a large part of a present trade, amounting to many hundreds of million dollars annually, but there will be great offsetting gains from the pacification and general opening up of China. Japan's own modernization is an example. Despite her protective policy she has become our fourth best customer. Even if she completely controlled trade she would have to act as middleman for a large volume of goods in which she does not and perhaps can not compete.

Japan will have her way at present just so far as she will stupidly or sagaciously follow it. There is no war spirit left in the world outside of Japan. At the moment there isn't another nation in the world that would take up arms except to repel invasion—and some wouldn't do that.

THE HARMFUL HOARDER

THE hoarder is not only a hoarder, he is a miser. The man who taps the life-stream of currency and diverts it into a cavity in the ground or in a safe-deposit box is doing business about as much good as a vampire does to the blood stream of his victim. He may be compared also to a dweller on a stream who shuts off its flow in order to create a reserve lake for his own use. It isn't necessary to mention what happens to the dweller downstream. But the man who hoards money also strangles trade demand. He skimps his consumption to acquire the money he hides. He injures his neighbor by refusing him both money and business.

Out in Aurora, Ill., the hoarders were given an object lesson by means of a five-day moratorium on all business except food stores and the like. The banks were shut tight. There was nothing for the hoarders to hoard and nothing they could buy with their hoards. It was a splendid object lesson to the hoarders in what would happen if the whole community followed their example. It worked, too. When the five days were up the hoarders flocked into the stores and made inward runs on the banks.

But generally speaking, hoarding is not to be dissipated by drives, brass bands and patriotic ballyhoo. We think President Hoover will get just nowhere with his anti-hoarding propaganda, praiseworthy as it is. He has the cart before the horse. Hoarding will cease when banks stop failing. The obvious thing is to save the banks instead of scolding.

FORD ENTERS THE GAME

FOR several reasons, the introduction of a new model by Henry Ford is an event of substantial significance not only to the automobile industry but to American business as a whole. When the Ford factories are quiet an air of hesitation hangs over the industry. Competing companies hold back until they can see what is to face them. Thousands of potential buyers of cars delay purchases. The effect is a general business retardation. In the past Mr. Ford has been either unusually shrewd or lucky in timing his special selling efforts. His delay in bringing out new models has been widely accepted as reflecting his judgment that conditions were not promising. His announced entry into active competition with a new car early in March is an expression of confidence in the business prospect from that time on. It represents a bet of many millions of dollars. What it will mean to the motor industry remains to be seen, since this will depend entirely upon the popular appeal of the car. For business as a whole it can scarcely fail to be a material help.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 512. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, February 15, 1932.

NEW FEDERAL RESERVE POWERS

BY agreement between President Hoover and leaders of both parties in Congress bills have been introduced to liberalize the lending and currency issue authority of the Federal Reserve Board and the Federal Reserve Banks. So great is the supposed urgency for the amendments that they will probably be law when this is read. Briefly summarized they are:—

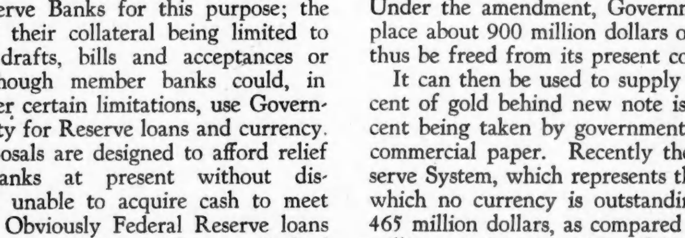
(1) The Federal Reserve Banks, when so authorized by the Board, may in their discretion make collective loans to groups of banks on their promissory notes, the security for such loans "to be agreed upon" thus expanding the present rigid limitation of collateral.

(2) "In exceptional and exigent circumstances" a Federal Reserve Bank may, upon specific authorization by the Reserve Board, lend directly to individual banks whose capital does not exceed $500,000 on such collateral as the Board may approve. Neither under this nor the first mentioned amendment may Federal Reserve notes be issued. They do not affect the volume of currency, they simply widen temporarily the range of security for loans in order to fit emergency cases.

(3) Federal Reserve Banks may include United States Government direct obligations in the collateral deposited with the Federal Reserve agents, over and above the 40 per cent of gold, against their note issues. Heretofore government obligations could not be used initially by the Reserve Banks for this purpose; the 60 per cent part of their collateral being limited to rediscounted notes, drafts, bills and acceptances or additional gold; although member banks could, in emergencies and under certain limitations, use Government Bonds as security for Reserve loans and currency.

The first two proposals are designed to afford relief to those sound banks at present without discountable paper and unable to acquire cash to meet abnormal demands. Obviously Federal Reserve loans on promissory notes are not without danger. Indeed untold harm could be done the country if the exercise of this power led to any unloading of frozen assets or low grade securities on to the Reserve System. The onus of controlling this hazard lies distinctly in the Federal Reserve Board itself, and it is to be hoped that the consequences of previous ineffective and dilatory policies which led to runaway inflation in 1928 and 1929 will still be fresh enough in mind to prevent excesses in this direction in the months to come.

The third amendment is the most controversial feature of the new legislation. It has been enthusiastically commended and as vigorously denounced by equally competent economic authorities. It is called dangerously inflationary by some and wisely constructive and laudably anti-deflationary by others. According to the Secretary of the Treasury, this amendment is capable of adding at least 10 billion dollars of member bank credit. It is futile to deny that such a potential expansion of credit is loaded with dynamite, but it does not follow that it will be set off.



The amendment corrects a technical defect in the original Federal Reserve Act which impaired the authority of the Federal Reserve Board to deal with the depression phase of the business cycle. When times are good the Reserve automatically responds to the varying credit and currency requirements of the country, both being based on the available volume of commercial paper. In depression this has not been possible and the System, as now constituted, has shown itself to be geared only for expansion. During recent months when the country has been in great need of more currency it has been forced to curtail open market operations with a view to putting out currency through the purchase of "governments." This curtailment was due to the fact that because of the scarcity of commercial paper in the portfolios of the Reserve Banks it was necessary to substitute gold in the 60 per cent collateral margin that could have been entirely occupied by paper if it had been available. It is commonly supposed that only 40 per cent of gold is necessary to back paper currency. This is only true, however, when the supply of rediscountable paper is sufficient to take up the other 60 per cent. In consequence it has taken 2 billions of gold, or nearly 70 per cent to back the outstanding 2.9 billions of Federal Reserve notes instead of the legal requirement of about 1.1 billions. Under the amendment, Government securities can replace about 900 million dollars of this gold, which will thus be freed from its present collateral detention.

It can then be used to supply the mandatory 40 per cent of gold behind new note issues, the other 60 per cent being taken by government obligations instead of commercial paper. Recently the free gold in the Reserve System, which represents the excess metal against which no currency is outstanding, has been down to 465 million dollars, as compared with more than 1,500 millions at times in 1928 and 1929, although total gold reserves have been near their peak.

The amendments are designed to force liquidity upon the commercial banks by purchasing government securities, thus bringing new money into bank deposits. In this way it is hoped to eliminate the fear that banks now have toward borrowing from the Federal Reserve and to provide them with a broader cash base on which to make loans which will facilitate the progress of business recovery. Re-established confidence resulting therefrom will tend to release millions of hoarded money.

The authority for the administration of the hypodermic rests entirely with the Federal Reserve System—also the responsibility. It can be a good doctor or a quack. It is to be hoped that the governing Board will control the new power placed in its hands and that with the help of the Reconstruction Finance Corporation it can stem the tide of business contraction and pave the way for sound and gradual expansion.

Increased powers of the Federal Reserve System open way to substantial revival of banking confidence.

But, excepting the possibility of dangerous inflation, there is little probability of more than gradual recovery in prices.

Credit Remedy Improves Market Outlook

By A. T. Miller

THE emergency changes in the structure of the Federal Reserve System upon which Congress and President Hoover have united become at once the most important current influence in the stock market, as well as a factor of potential business encouragement.

It need hardly be said that a legislative and administrative program which makes possible the issuance of additional currency and which otherwise greatly increases the elasticity and discretionary powers of the Reserve System is by all odds the most basic and far-reaching venture in depression-relief that Washington has yet attempted.

Unfortunately, the haste with which the program has been conceived has led to considerable confusion of opinion as to its significance—a confusion compounded by an apparent disagreement even among sponsors of the legislation as to what its motives are and what its effects may be. Thus, the public statement of one Senator definitely envisages a substantial currency inflation and a resulting rise in prices. That of another, whose name the bill bears, vigorously denies that inflation is the objective.

First Response Misleading

There is not the slightest doubt that the stock market's initial reaction to the news accepted the inflationary theory. Overnight, prices opened up with a spasmodic leap and forthwith was ushered in the sharpest rally in several months. Trading activity doubled and in a single session some of the more volatile issues advanced from 10 to 15 per cent.

Such a response, of course, cannot be taken at face value. It represented a stampede of short-covering and a frothy rush of buying by in-and-out traders. As with other rallies of the bear market, the early speculative enthusiasm can be expected to wane, after which sober second thought will more convincingly dictate the early trend of prices and more accurately interpret the meaning of the Reserve Act revision.

Meanwhile, however, it appears plain that the change is not by any means necessarily a step toward dangerous inflation. It does greatly increase the elasticity of the Reserve System and it does open its vast resources to member banks on a more liberal basis than the old rules permitted. It does make possible a substantial increase in the currency through issuance of Federal Reserve notes backed by United States Government bonds. By augmenting the classes of paper on which currency can be based, it permits more efficient use of our huge gold supply and removes forever any threat of our being embarrassed by heavy foreign withdrawals of gold.

It corrects a defect and an inelasticity which many economists and bankers had long recognized as existing in the System and which the experience of this depression had revealed in full clarity.

In the Hands of the Board

In understanding what has been done, however, it is above all necessary to bear in mind that the legislation written by Congress is essentially permissive, rather than mandatory. It leaves very wide latitude for the exercise of judgment and discretion by the regional Reserve Banks and by the Federal Reserve Board. Thus, the question of whether we are to have inflation or merely a policy of anti-deflation lies entirely in the hands of these authorities. Anti-deflation, if literally enforced, would not mean rapidly rising prices for either securities or goods. It would mean a check of disorganizing liquidation, a stabilization of price movements, a gradual recovery of confidence by banks and the public and, perhaps, a wholesomely slow improvement in business and in the best securities.

In considering whether the program to be followed will be entirely divorced from national politics, we tread upon a delicate subject. It can hardly be denied that political considerations have had some influence with the Reserve Board in the past. Certainly it can be seen in retrospect that it made a momentous mistake in refraining from imposition of a vigorous brake upon the boom in 1928 until after Mr. Hoover was elected President. Some conjecture along this line is naturally provoked by the replacement of the conservative Mr. Mellon as Secretary of the Treasury by the ambitious and aggressive Mr. Mills.

It would be deplorable under present conditions if any

political motives were permitted to inspire a credit manipulation aimed at some degree of artificial recovery before the national election next November. We sincerely doubt that such a dangerous venture will be undertaken, but we consider it the part of wisdom for investors to be on guard against such a possibility, for excessive inflation is not the way out of trouble but the way into it, and an artificial recovery, not justified by a full completion of the underlying economic adjustments would only postpone a worse ultimate deflation.

Check on Hoarding

The impression given the public by some Senatorial statements that the currency will be increased by 2 billions of dollars is grossly misleading. The essential fact is that the currency *can* be increased by such an amount and this assurance, this ace in the hole, should be sufficient to revive confidence merely by the increased availability of credit, even if little of it is ever used. The Reserve System will not voluntarily increase the currency. It will put out additional amounts only upon demand. The additional demand can arise only from improving commercial activity or from the abnormal demands of money hoarders. Without hoarding of the 1 billion to 1½ billions of dollars now hidden away, there would be no need of more currency for business. There is every reason to believe that the program will check hoarding, for when money can be easily had few of us have any desire to hoard it. Hence, it is quite possible that credit tension will be relieved without much actual change in Reserve operations.

As to the market prospect, this publication in recent issues has been consistently advising the scale-down accumulation of selected stocks in periods of price weakness. Those who have followed this advice have had three conspicuous opportunities, the market establishing virtually a "triple bottom" on Dec. 17, Jan. 5 and Feb. 10. We make no change in this policy, specifically recommending that fast rallies should not be followed. Additional accumulation should be undertaken only under one of two conditions, either in periods of market reaction or after a definite turn for the better becomes apparent in business activity and profits.

As to the latter possibility, the proof remains to be supplied. If the modification of the Reserve Act is of real business consequence, it should be reasonable to expect some sign of it in the industrial records by the end of April. That would mean the missing of bottom by many investors but would carry with it a compensating assurance and would still leave a wide leeway for market appreciation throughout any period of normal business revival.

Business Profits

There can, of course, be no important advance in stocks unless it is supported by an advance in the base of corporate earning power. In this respect no change is yet evident, a fact not at all disappointing because not enough time has elapsed for a real test either of the effects of the Reconstruction Corporation or of the change in Reserve policy.

Activity in the steel industry has failed to improve in the last fortnight and remains on a profitless level. Construction has fallen to a phenomenally low basis. There is no hint of an increase in railroad car loadings or in the output of electric power. The automobile industry showed far less than the usual seasonal gain from December to January and is still hesitant and laggard.

All of this is of no consequence if a loosening up of credit and a revival of public confidence in our banking structure is to provide a trade stimulus in coming weeks. Moreover, it is quite possible that the January-February lull in business may prove to have been abnormally exaggerated by the circumstance that the Ford Motor Company was virtually out of production during this period, pending development of new models and the decision by Mr. Ford as to the most auspicious timing of intensive selling efforts.

The new Ford cars will be introduced to the market in March. Their manufacture is a large enough factor to be of some influence on general business and particularly on the steel industry. It is a fortunate coincidence that this impetus will exert itself precisely at the time when it can join with credit relaxation in stimulating general activity.

Whether a turn for the better in credit will check the recent continued decline of commodities remains to be seen. On the average, the commodity level has at this writing fallen to a new low, and it is particularly disappointing that the further decline centers chiefly in the most depressed groups, including farm products, rather than in finished goods which still appear out of line in the downward adjustment. Individual commodities (Please turn to page 567)

From an etching by Anton Schutz

The Chicago Board of Trade Building

Charles Benedict on—

What Is Causing the Fear Psychology?

A Searching Appraisal of the Factors Responsible for Public Apprehension

AMERICA may still be the land of the free but it is not, at the moment, the home of the brave. Too many of us are scared stiff. With a volatility that no other nation on the face of the earth can match, we have in the short space of two and one-half years plunged out of a dream of unlimited confidence into a nightmare of boundless despair.

There are three things essential to any substantial advance in business: more evenly distributed, and assured employment, confidence in the banks and banking system of the country and full presentation of uncolored facts.

Unquestionably, there are economic reasons for fear; but, also, there is not the slightest doubt that such fear has been overdone, developing into a morose mob psychology exactly the reverse of the fatuous optimism of 1929. The present attitude exaggerates every factor of adversity, surrounding us with terrifying economic hobgoblins. Out of simple doubts and uncertainties it erects a structure of monstrous mystery. The effect is to intensify depression and to make its final phase very largely a matter of psychology, barring us from the improvement that would otherwise be ours for the grasping.

Even though the basic situation has become more hopeful as the real causes of depression have been corrected, fear will continue to block substantial recovery until banished by direct action.

The Fear of Unemployment

The one big real fear that now grips the American public is that of unemployment—the fear of losing a job—and it is here that the first steps should be toward correction if public confidence is to be restored.

The most reliable estimates of the number of persons out of work range from 7 million to 8 million. With dependents, this means that at least 20 millions to 25 millions of men, women and children have lost their means of livelihood and can now rely only upon reserves, depleted because of the very length of the depression, or upon public assistance of one kind or another.

And that one out of every four employed in 1929 is now in enforced and costly idleness is only part of the story. Of the others still at work, millions are on part time and are having to contend with reduced incomes. The result is a vicious cycle. It not only reduces the actual units of purchasing power of the country, but, perhaps equally important, imposes a psychological limit on the public's willingness to spend such income as it has.

The distress is so obvious, so inclusive and so close to us that none can escape some form of personal contact with it. Those of us who have employment and adequate incomes have relatives, friends or acquaintances in difficulties of which we are fully aware. They constitute for us an example which, consciously or unconsciously, inclines us toward fear for our own jobs and toward a rigid economy in expenditures. Then, too, each worker thrown out of a job involves a loss of public buying power and makes some one else's job less secure. The total loss of purchasing power resulting directly and indirectly from unemployment is appalling. Although the exact amount is not known, it can only be estimated in terms of billions of dollars.

At present only a decided change in the trend of business will produce a gradually accelerating uptrend in employment. An eventual rebound from a point at or below the normal subsistence level can be taken for granted. But is it not possible to take remedial action now?

Obviously little or nothing can be accomplished by legislation. We cannot expect Federal or state authority to invade constitutional rights by demanding increases in the forces of employment. But much can be done by concerted action on the part of enlightened employers to spread the available work over more individuals than are currently occupied. Such procedure is imperative. For, unless we are ready to swallow a Federal dole with all its attendant abuses, the killing of initiative, stultifying of character which the system inevitably entails, we must frankly recognize that there is no cure for unemployment other than by providing that opportunity for renumerative labor to which, as we view our society, every person is entitled. Let us consider, then, how much work is available. A careful estimate made by the American Federation of Labor indicates that under present business conditions there is

enough work in this country to employ every available worker for thirty-five hours per week.

The trouble is that work is not equitably spread around. Too many millions either have none of it or too small a part of it. If everyone were permitted to share in it, each would have seven hours of work per day, five days out of the week. As compared with the accepted standard of eight hours per day, five and one-half days per week, this would certainly constitute no very startling change. It would necessitate but a relatively moderate loss of time on the part of those now working full hours and would not require any increase in producing costs, since wage rates per hour would remain the same. It would, of course, involve a moderate reduction in the total income of those who give up a longer week for the shorter one. For this sacrifice, however, there would be the compensation and the economic benefit of increased leisure, and in the actual increase of non-essential spending which leisure encourages and upon which modern prosperity has come so largely to rest.

Of far greater importance, it would have the inestimable benefit of the mental assurance that goes with regular employment on a basis that would at least be above the subsistence level. Given such a situation, with all employed at a living wage, it would not be difficult to envisage a gradual loosening up in spending here and there, creating the self-accelerating impetus out of which prosperity would gradually rebuild itself. Therefore it would seem no more than logical self-interest for industry to create more employment, in order to keep its plants operating at a profitable level.

A shorter working period would not be an innovation or an untried experiment. For years we have been moving gradually, but definitely toward this end. Indeed, for a century man's work time has been coming down and his leisure time has been increasing. The eight-hour day and the half-day on Saturday, which are now so familiar to us, were new not so long ago. Within the memory of many now living the accepted working period was ten hours per day and before that it had been twelve hours per day. It is within the last decade that the steel industry changed from the twelve-hour to the eight-hour shift, without bringing ruin upon itself. It is within recent years that department stores have learned they could do as much business as ever without staying open Saturday evening and even, in some instances, when stores are closed on Saturdays in summer.

And this entire period of shortening work hours has been accompanied by a remarkable increase in production, an ever wider distribution of wealth and a more or less steady advance in our standards of living. There is no reason to believe that the sequence can be more than temporarily interrupted by depression. Unless we are to make further progress along the same line, what excuse is there for the machine? Its purpose is to save labor, increase productive abilities at low cost and expand our leisure time.

It appears likely that our present troubles are not the result of our economic system and that they are not inherent in it. They are the result of an abuse of it. The system works perfectly as long as its benefits are fairly shared and as long as there is proportionate advance in both productivity and in its distribution.

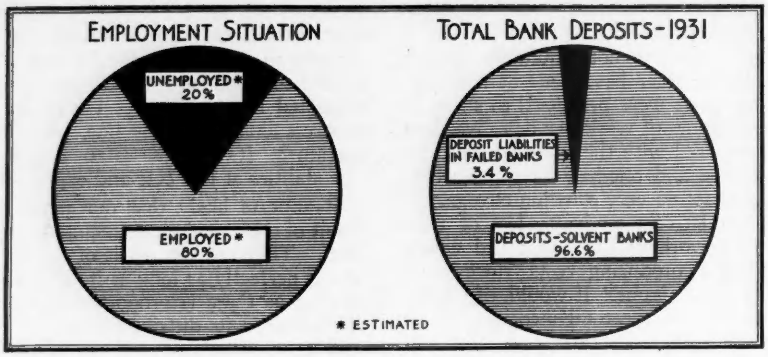
It is in distribution of the benefits of the machine that we have fallen down, for certainly in recent years, the evidence shows that we permitted productivity, spurred by war demands and by a remarkably concentrated advance in industrial technology, to increase at a rate disproportionate to increased standards of living.

It is estimated that the annual production per worker in 1929 was 49 per cent greater than in 1919, whereas the total gain in the preceding twenty years had only been 11 per cent. Rightly applied, this should have represented a tremendous increase in the general economic welfare. It should have meant less labor and more income for all.

But if we chart real wages over that decade from 1919 to 1929 alongside a chart of production, it becomes obvious at a glance that the trends were divergent, for production far outran wages. For our system to work to capacity mass markets are needed. They can only be had by mass employment and mass purchasing power, and these in turn can only be had by passing along to the mass of workers as large a portion as possible of the earnings that the machine makes possible. In this theory there is no concept of charity or of social ethics, but merely of the necessities of practical business.

Fear Exaggerates Every Factor of Adversity

Too small a proportion of the earnings of 1919-1929 went into consumption. Too large a proportion went to swell the unspendable incomes of a minority of machine owners. Too much was ploughed back into additional capital investments to swell producing facilities which had already run beyond the consuming abilities of the mass population. Those abilities the machine itself was steadily whittling down, for technological unemployment steadily increased and between 1919 and



1929 fully 1 million persons were added to the list of the unemployed.

It thus is apparent that the problem of unemployment is not merely a passing phase of depression and that we will have to make whatever adjustment in our economic system as is necessary to maintain employment and mass buying power at a maximum.

We believe that the shorter working period is the only practical step that can be taken by way of remedy. The present time, when productive facilities are sufficient to take care of our normal needs for years to come, is the ideal time to carry further our national experiment in fairly apportioned leisure and in shifting the emphasis from production to consumption.

Given such a division of work on a basis so near the minimum subsistence level, there would be scant risk of further decline in business activity. And with that risk at a minimum it should be possible to give some consideration to the possibility of guaranteeing employment. A few companies are doing it now and doing it successfully. There is no reason why others should not be able to estimate at least a reasonable minimum of needed employees and to guarantee jobs for them for, say, six months.

There is probably no practical step which could so quickly release at least one pent-up portion of our national purchasing power and so effectively combat the present all-pervading fear of the future. If we do not provide employment, at whatever cost, the inevitable alternative will be a Federal dole, still more costly in its tax upon business.

Every great depression has taught us something. The panic of 1907 ultimately gave us the Federal Reserve System and also represented the last gasp of "the public be damned" attitude of Big Business. Out of the present depression we may learn that the Machine Age of the future must be devoted to the welfare of the mass population if it is to survive.

Safeguarding Against Bank Failures

Next to the fear of losing a job or of being without one, the greatest American fear today is that of losing money. Millions of persons have learned the lessons of panic too well and are carrying caution and scepticism to an excess which curiously parallels the reverse emotionalism of the boom. In 1929 there was no top. Now there is no bottom. Everything can go down indefinitely, and the closer prices approach zero the more cautious we all become.

This hallucination, of course, will at some time or another vanish as completely and as ridiculously as did our recent dream of an endless prosperity. Meanwhile few want stocks or bonds because the price next week may be cheaper, and the same psychology limits purchase of goods to the bare essentials. There is nothing we can do about this neurosis except to wait it out.

Above all, however, the fear of money loss is most crippling and devitalizing in its general distrust of our banking system, and this is a problem that we should be able to do something about. *We have come to a point at which it is impossible to say whether bank failures are due to public distrust or whether public distrust is due to bank failures.* The one thing that is clear is that bank depositors have withdrawn from one billion to one and one-half billion dollars out of fear of losing it and that this vast sum is being hoarded.

The direct effect of sterilizing so large a portion of our currency is bad enough, but the indirect effects are worse. It forces all remaining banks to maintain an abnormal liquidity, in order that the danger of abnormal withdrawals can be met at any time. This results inevitably in a tight credit policy at a time when credit confidence was never so sorely needed. The combination of distrust of the banks and of timid credit extension magnifies the fear psychology.

It is not too much to say that we have virtually a credit paralysis and that until this illness begins to improve there can be no business revival. That there is a large element of hysteria and ignorance in the problem is plain. Our entire economic structure is founded upon credit confidence. We have, always have had and always will have vastly more *wealth* than *money*. Our currency of approximately five billions of dollars is merely a convenient means of exchange, workable only so long as we observe the normal rules of the game.

Our existing bank deposits alone are fully ten times the total amount of currency in the country, a primary fact which puts a stamp of absurdity on any general effort to convert wealth into money for the purpose of safety. On the contrary, nothing could more endanger the entire system than unchecked hoarding.

For anyone capable of logical analysis, there is substantial assurance in the banking results of the last year. It is true that 2,290 banks failed, with deposits of $1,759,484,000, but approximately 20,000 banks remain in business and their deposits approximate $50,000,000,000. Thus, the vast bulk of the country's bank deposits are intact. Not only that, but they repose in banks which in general are more liquid and better managed than ever before. Moreover, the money that is tied up in closed banks is not lost. The estimated ultimate recovery is in excess of 85 per cent.

As with the mania for ever lower prices, we will at some time awake to the fact that our banking structure is sound. Meanwhile, however, hoarded money can not be talked back into the banks and no amount of official optimism or propaganda will do any good. As long as banks fail by the dozens each week, even though they are small banks, the general fear will be unrelieved.

Facts Instead of Propaganda

The only remedy is to check or stop bank failures. That is one of the purposes, indeed the most important purpose, of the Reconstruction Corporation. Whether it is to succeed or fail, time alone can tell. It is not yet in full operation and a fair test of its effect upon public confidence can only be had over a period of months. It carries with it the great hope that it can make matters no worse and that it has a reasonable chance of making them much

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India to the Rescue of the Gold Standard

Outpouring of the Precious Metal from Far Eastern Hoards Increases World Stock of Monetary Gold—This Movement May Have an Important Effect on All Prices and on the Financial Position of Great Britain and Other Countries

By JOHN C. CRESSWILL

A MARVELOUS thing is happening in Asia. From poverty-stricken India and China comes a stream of gold that may solve the world's problem of sufficient monetary gold. The very nations that were supposed to be unable to buy, whose purchasing power was declared to be ruined by the demonetization and fall in value of silver have thrilled the world with a veritable fountain of gold.

In India an age has come to its end. From time immemorial that vast and mysterious empire has been notorious as a sink of gold and silver. Always the two precious metals have flowed to it, never to return. This one-way flow was assumed to be as immutable as that of time itself.

Since 1493 the world's gold production has amounted to more than 22 billion dollars. About half of that entire amount has gone into the arts and hoards. Of that half India has absorbed approximately three billion dollars. How much was accumulated in the intervening 2,300 years since Alexander's plundering phalanxes marched to the Indus—and still further back—will never be known. But what wars and invasions and the rise and fall of successive empires and dynasties could not accomplish the present world business depression has done. What Hastings and Clive in their looting of India could not find, hard times and the universal cry for gold have done.

The gates of the treasure houses of India have opened.

In the year of 1931 there poured from them into the monetary reserves of the country and into the lap of Europe no less than 151 million dollars' worth of gold. A sum equal to near half of all the gold mined in that year in all the world. At the rate this new auriferous tide is still mounting it may swell the world's visible gold by 250 million, perhaps 500 million, during 1932.

Ostrander Photo, from Nesmith

Golden-Domed Temple in Burma

The hoards were still accumulating in January and February of 1931 at a retarded rate. In March came the about-face. Gold was still being imported on balance in that month but $6,492,000 trickled into the Indian monetary reserves, and the hoards experienced a net loss of $5,401,000. Except for a minor reversal in September the new river of gold flowed away from the hoards, and reached in December the amazing total of almost 63 million dollars for that month alone.

The total depletion of the sacred hoards for the year was, roundly, 151 million dollars, of which 118 millions were actually exported, the balance going into domestic reserves.

Part of the dislocated hoards of India has gone into new fear-created hoards in Europe but a substantial part of them has lodged in the Bank of England and materially aided that institution in meeting its recently due obligation of 100 million dollars to the Bank of France and the Federal Reserve Bank of New York. Moreover this "unfrozen" gold has eased the financial position of India, fattened its reserves and given it balances with which to meet maturing obligations abroad.

What have been the forces that have broken a habit of thousands of years and have magically summoned the resources of the past to solve

the problems of the present? Briefly, they are poor markets for crops in India, disturbed and depressed business, the low price of silver and the suspension of the gold standard by Britain and India. The hoarders have had to dig into their secret reserves to make up the balance between income and outgo. And the spread between the gold value and the nominal value of the pound sterling and the Indian rupee, caused by the demonetization, has presented an irresistible temptation to convert idle chunks of gold into much more paper and silver money.

The eclipse of the gold standard had the consequence of increasing the value in rupees of gold coin, bullion, jewelry, plate, etc., by about two-thirds When the paper or silver rupee is worth 40 per cent less than formerly, in gold, that metal can be exchanged for 1.66 rupees as against an even exchange before the passing of the gold standard. When India was on the gold standard all of its money was necessarily at par with gold. A paper or silver rupee was as good in business as gold, both foreign and domestic, because they were interchangeable with the latter But when the gold standard was suspended, currency, like that of Britain, sank to the international trade valuation that the world chose to put on it unsupported.

On the other hand, the purchasing power of the rupee, within India, that is, in goods and services, has as yet altered scarcely at all. The temptation for substantial profit has been more than the avarice of the Indian hoarder could stand. Not only has he let go of his hard savings in the form of gold coin but he has drawn on his legendary bank of gold jewelry and other articles. There are only 700 banking offices in all India, with its 360 million people. The precious metal wealth of India has been mostly stored in physically usable form, available for conversion into money in times of exceptional stress; just as in America the savings bank depositor digs into his bank account when current income fails him.

The fascination of so much money in exchange for so little has perhaps opened a new spending era for the peasant class and therefore a higher standard of living for the Indian masses.

With 1.66 rupees in place of one rupee the peasant can keep his cake by holding onto a paper rupee and eat it by spending two-thirds of another.

Besides "opening up" India the decline of hoarding, if it continue, will have momentous effects on the problem of the continuance and restoration of the gold standard. A considerable factor in all forecasts of the world requirements for monetary gold outrunning the production has been the assumption that India would eternally suck into its sterilized hoards a very large part of all the yellow metal that would come out of the mines. Actually it did absorb 700 million dollars from 1925 to 1930.

Yet during these five years the central gold reserves of the world increased, as was recently pointed out by Walter R. Gardner of the research staff of the Federal Reserve Board, by almost the same amount as the entire production of gold during that period. If to this increase we are now able to add, for several years, two or three hundred millions from India—or even more—something may happen to the gold collecting nations and to prices.

If gold should begin to fall in value (measured by prices) and commodity prices in turn go up there would be no such pressure as now to amass excess reserves and useless hoards in those countries whose international exchange conditions enable them to do so. In fact, France and the United States would be prompted to put gold on the bargain counter, the empty vaults of reserves banks in other countries would fill up, the nations that are now outside the gold "law" would return to its fold.

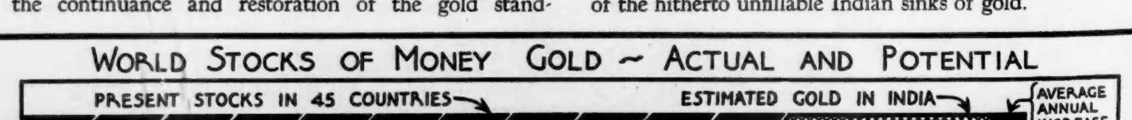
It is not only India that is digging into its gold caches. China is doing likewise, although its caches are shallower. Russia, crimped by the economic depression, has been compelled to export a certain quantity of gold, and has brought a total of 170 million dollars into sight. Pressed by poverty Australia has squeezed a substantial amount of gold out of the sterility of its trading banks. When France quits accumulating gold—and it seems to have reached about the limit of its power to attract it—and the flow of gold to the United States is checked by repudiation of international debts or suspension of current payments, there may be a general rush, as Mr. Gardner pointed out, of the nations to return to the gold standard "at an exchange level which will promote the acquisition of gold from those countries that now have a surplus." This process will be facilitated by the fact that "those countries that have a surplus will not themselves alter the relation of their currencies gold."

Thus it may come about that the world's monetary problems may be solved within the next few years primarily by something the economists in all their thousands of pages of discourses on the subject never mentioned—the overflowing of the hitherto unfillable Indian sinks of gold.

Figures Tell the Story of the Turn of the Indian Gold Tide

(In Thousands of Dollars)

1931	Domestic Production	Addition to Indian Monetary Gold Reserves	(Absorbed (+) Released (—) by hoards
January	649	1	+ 362
February	582	9	+ 1,453
March	596	6,942	— 5,401
April	563	6,168	— 5.505
May	523	5,866	— 4,647
June	491	3,397	— 4,658
July	502	7,362	— 7,663
August	518	3,760	— 3,513
September	564	21	+ 606
October	675	— 353	— 30,222
November	675	359	— 29,996
December	675	0	— 62,767
Total	7,702	+33,532	—151,453



American Copper Industry Must Battle for Life

Low Cost Foreign Production Clouds the Industry's Outlook and May Force Domestic Tariff Protection

By F. E. Calkins

FOR the copper industry this is not just another depression. It now finds itself involved in a new set of internal conditions that will profoundly affect its future.

Within the past few years, increased efficiency, consolidations, and above all, the development of tremendous new foreign reserves of high-grade ore have greatly reduced average costs per pound, lowered the normal average world price to 10 cents or less, and resulted in an equipped economic annual primary copper production capacity 700,000 tons in excess of past maximum annual world consumption and an excess total potential capacity of more than 2,000,000 tons, so that on a free world market, world demands would be supplied at an average price not over 10 cents until probably after 1945 at least.

Unless otherwise specified all figures hereinafter refer to primary, or new copper, and the word "capacity" means economic annual capacity, or capacity at the most economical rate of operation. All quantity figures are in tons of 2,000 pounds.

Though the end of this depression will probably mark the beginning of an era of super-power development, electrification, and commercializing of new inventions surpassing anything that has gone before and requiring huge quantities of copper, world copper reserves will increase for many years and permit a corresponding increase in production capacities. There is no shortage of copper in sight.

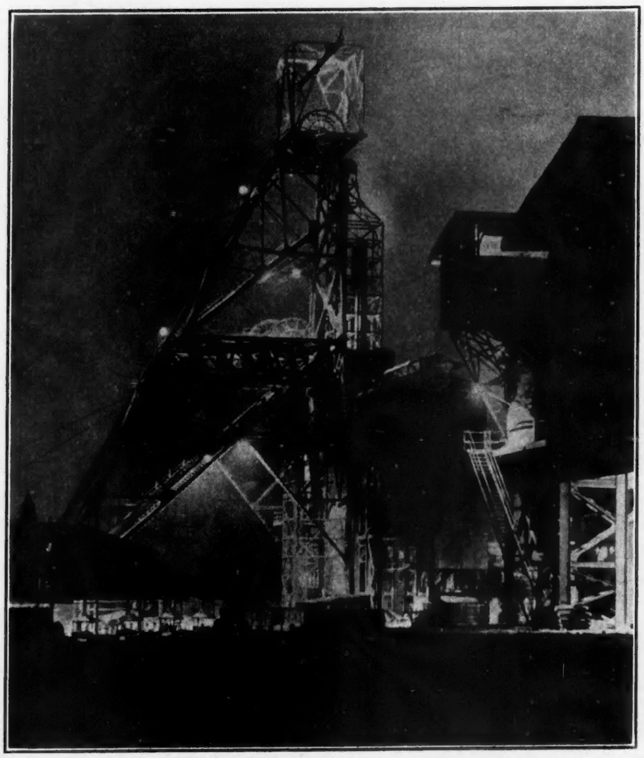
The foreign copper reserves are three times as large and average grade of ore twice as high as in the United States. This country now contains only 40 per cent of the equipped, and 30 per cent of the potential world capacity. Over 85 per cent of the world's excess capacity is in the foreign mines. The United States has lost forever its dominant position in the world copper industry but American capital controls 65 per cent of it and is heavily interested in another 10 per cent.

Foreign operating and capital costs average considerably lower than domestic and will determine the future price of copper. Foreign capacity is so much in excess of foreign consumption and average cost so much lower than the domestic that this country's days as a net exporter of unfabricated copper are definitely and positively over.

These new conditions and controlling factors are only now reaching the culmination of their power and effectiveness and their full import is just beginning to be realized, even by many of those within the industry.

The United States percentage of world primary copper production is now normally less than 50 per cent and is steadily decreasing. Domestic percentage of world primary copper consumption is now normally a little over 45 per cent. The future average annual compound rate of increase in both domestic and foreign primary consumption over the 1928 figures will probably not exceed 4 per cent in any future year. The domestic primary copper consumption percentage of domestic production has continually increased from 59 per cent in 1900 to over 100 per cent in the last half of 1930. On a free world market and after industry returns to normal, domestic consumption will always exceed production, the balance being supplied by foreign copper.

Present world equipped economic annual production capacity is about



Courtesy, Engineering & Mining Journal

Roan Antelope, a Leading Factor in African Production

2,650,000 tons and total potential capacity over 4,150,000, comparing with past maximum world primary copper consumption of less than 2,000,000 tons. Total domestic equipped capacity is about 1,050,000 tons and total potential capacity not over 1,250,000.

Over 2,000,000 tons of world equipped capacity is of copper that will cost, excluding depletion, less than 10 cents a pound and average 7½ cents or less. An additional potential capacity of over 1,500,000 tons will all cost less than 8 cents and average less than 7 cents, over 85 per cent of which is at foreign mines whose operating costs for both the equipped and potential capacity will probably average 6½ cents or less and whose capital costs will be such that an average dividend of 2½ to not over 3½ cents a pound and a price of not over 10 cents will bring forth the capital necessary for the development and equipment of this additional capacity. The normal average price for over 3,500,000 tons of total potential capacity is therefore not over 10 cents and that price will bring out all the copper the world will need until probably 1945 at least. At that price over 150,000 tons of domestic, and about the same amount of foreign equipped capacity would be closed down permanently, leaving a world equipped capacity of 2,350,000 tons in business and a total potential capacity of over 3,850,000 tons.

Copper Reserves and Annual Production Capacities

(1000's of Short Tons)

	U. S.	Foreign	World	U. S. % of World
Copper Reserves, 1931.				
Copper metal.	20,000	60,000	80,000	25
% copper in ore.	1.3	2.7	2.1	..
Refinery Capacity.	1,800	1,300	3,100	58
Equipped economic mine capacity.	1,050	1,600	2,650	40
Total potential economic capacity.	1,250	2,900	4,150	30
Capacity at 10-cent Average Price.				
Equipped economic capacity.	900	1,450	2,350	38
Total potential economic capacity.	1,100	2,750	3,850	28
Primary Copper Consumption.				
1929, Year.	950	1,000	1,950	48
1931, annual rate, first nine months.	540	860	1,400	38
1931, annual rate, September.	420	620	1,040	40

Note—Mine capacities are maximum for United States and minimum for world and foreign.

Any attempt to sustain the average price above normal for any considerable time by world co-operative production control will end in failure. Human nature resists restraint in the face of rising prices. All history has shown that an effective control can be assured only by a monopoly and even monopolies eventually destroy themselves if they result in exorbitant prices. The operation of the law of supply and demand has been delayed and even suspended for a time in various industries but the impelling greed has always overreached itself and in the end all attempts to defeat the law have ended in failure.

History has further shown that in times of stress and surplus and abnormally low price production can be held down to a level below consumption so as to reduce the surplus. With the consequent rising price, however, the tendency is very strong for production to increase again, delaying the reduction of surplus. It is then that unusual self-restraint is necessary.

Foreign Overproduction

History has also shown that the greater the centralization of capital control in an industry, without too closely approaching a monopoly, the more rapidly, easily, and effectively can the law operate, to the great advantage of all concerned, including the public.

Since the beginning of this depression the heaviest burden of production curtailment has fallen on the United States industry. During 1930 and 1931 world overproduction has been over 320,000 tons, of which very close to 90 per cent was by foreign mines, both American- and foreign-controlled. World surplus stocks of copper on hand are over 400,000 tons, the largest in history.

This apparently insane policy of foreign overproduction can be explained partly by the fact that world consumption has decreased so rapidly during this depression as to cause a lag in production adjustment, but principally by the fact that so many competing interests are involved and that so much foreign capacity is government-controlled or subsidized and therefore intelligently controllable only with difficulty. But even some of that capacity has now been forced into line with the American plan of further curtailment.

Both operating and capital costs per pound of United States production are higher than the foreign and the normal average domestic price, based on the assumption that all of the domestic industry will be permitted to stay in business, is about 13 cents, the average normal cost, excluding depletion, being about 9 cents and the necessary minimum dividend 4 cents.

To obtain that price after business returns to normal, prevent the permanent shut-down of over 15 per cent of the domestic industry, afford a normal average return on capital, maintain wages at past normal levels, permit the future expansion of the industry, remove for the rest of this depression the large part of the curtailment burden caused by the recently developed excess foreign capacity, and avoid the continual danger and probable incidence of foreign overproduction and consequent demoralization of price, a tariff would be necessary and will be effective only if it is high enough to keep out the lowest-cost foreign copper and if production is adjusted to domestic consumption.

Copper Tariff

An effective tariff will depend not upon the difference between domestic and foreign average costs but upon the difference between the normal domestic price and the lowest cost of any considerable volume of foreign copper. The existence of a tremendous excess foreign annual capacity over past maximum foreign annual consumption will exert a continual heavy pressure against any tariff wall and abundance of foreign copper will be for sale in the United States at a profit of less than a cent a pound over its cost plus the tariff. Large volumes of foreign copper costing 6 cents or less will be available. A disturbing feature is foreign by-product copper, which might under stress be offered in considerable volume at a price as low as 2½ cents plus the tariff so that a tariff of 11 cents would be necessary to hold the domestic price at 13 cents against it, though it seems likely that most of this would find a foreign market.

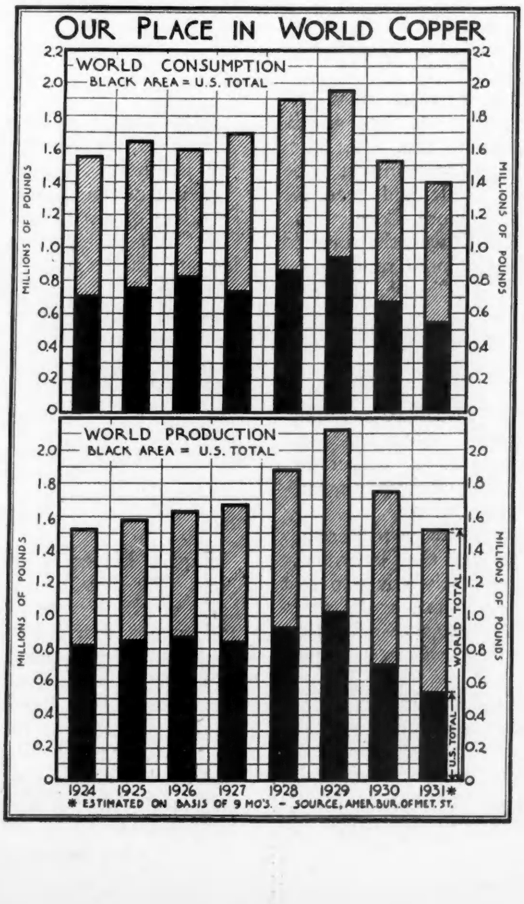
It appears therefore that a tariff of 8 cents, which could be raised, on the recommendation of the tariff commission, to 11 cents or more if necessary, would be the minimum rate to fix by law if it is desired surely to hold the domestic average price to a minimum of 13 cents. With any tariff the law of supply and demand will fix also the maximum at that figure and there is therefore no danger of making the tariff too high. In fact a complete embargo could be declared without danger of causing an abnormally high average price. This is a simple economic principle that has received little or no recognition in the public discussion of a copper tariff.

Any attempt to peg the price at an abnormally high figure as was done in 1929-30 would be inevitably followed by the same abnormal drop in price as occurred then and thereafter, and the resultant average would be about normal. Average prices f.o.b. refineries for the years 1929-30-31 were approximately 18, 13, and 8 cents, average about 13 cents, the present United States normal. Including this year and next the average will be well below normal. The result of trying to repeal the law of supply and demand has been disastrous and the producers have learned something.

With any tariff or embargo the law of supply and demand will automatically operate to adjust production to domestic consumption and the present concentration of capital control of the domestic industry, combined with vertical integration for fabricating facilities, will permit that law to become much more quickly and easily effective than if control were not so centralized. The control of 67 per cent of domestic equipped capacity is now in the hands of three companies and 85 per cent in the hands of eight.

With the facts at hand it is possible to estimate with considerable accuracy the future of the United States industry on a free world market and what can be accomplished with an effective tariff. With or without a tariff production will have to be firmly controlled for the rest of this depression in order to obtain something better than a ruinous price and to wipe out the surplus stocks by the time general industry is back to normal.

Without a tariff, effective production control for the rest of this depression would depend very largely on certain large foreign producers continuing to hold their production down in the face of rising prices. History has shown that this is very difficult at the best and that with so many competing interests involved, and some of them government-controlled or subsidized, it is impossible. Domestic producers, in spite of their best efforts at control, would be under continual pressure of foreign overproduction, at times actual and always potential. The percentage of total foreign curtailment would always be considerably less than that of domestic, forcing this country to operate at a lower rate and under a heavier load of surplus stocks than with a tariff. Based on a comparison of prices during and following the 1921 depression, the average price for the rest of this depression would probably not be over 9 cents.



Because of present world equipped capacity 750,000 tons in excess of 1928 consumption, most of which excess was equipped since 1928, and over 85 per cent of which is at foreign mines, when world annual consumption again reaches the 1928 figure of 1,900,000 tons the world copper industry will have to be operating at less than 75 per cent of equipped capacity to avoid overproduction.

There will be about 400,000 tons of uncurtailed foreign-controlled capacity and, assuming that all remaining foreign-controlled, and all American-controlled producers will hold their production down to about the same percentage of equipped capacity, the American-controlled industry would be able to operate at about 70 per cent capacity. An average price of not over 10 cents is the best that could be expected and at that price over 15 per cent of the domestic industry would be permanently out of business.

Curtailment then as now would on the average fall more heavily on the domestic mines than on the American-controlled foreign mines but even if it did not the United States industry, because of its greater percentage of extinguished capacity, would be able to operate at an annual rate of not more than 65 per cent of equipped capacity, less than 75 per cent of its 1928 rate, and less than 80 per cent of domestic consumption, the balance of consumption being supplied by foreign copper. If the remaining foreign-controlled companies should not curtail in line with the American the above percentages would be lower. All of these production rates would increase as world consumption increased and domestic production would always be less than domestic consumption, the balance being imported in increasing amounts from abroad.

The lowest-cost domestic producer would barely make a fair profit at 10-cent average price and wages would necessarily average considerably lower than past normal levels. Capital for exploration and development of new mines would be unavailable.

Peak production of probably not over 1,000,000 tons would be reached about 1940 or soon after and from then on production would slowly decline. By 1945 probably over a third of domestic consumption would be supplied by foreign copper and the proportion would continually increase. Production would continue to decline until world consumption had overtaken world production capacity of copper costing 10 cents or less, causing a rise in normal price. With a considerable rise in normal price there would be a revival of the domestic industry and development of new ore bodies. At this time that date is not in sight and is unpredictable. By that time the scientists may have discovered how to

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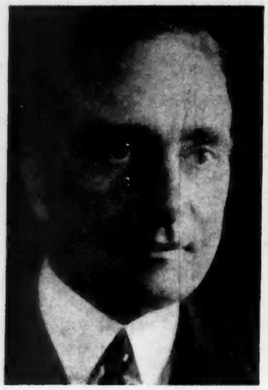


Ogden L. Mills

Eugene Meyer

Charles G. Dawes

Can These Men Bring Back Prosperity?

AT the corner of Pennsylvania Avenue and Nineteenth Street, in the city of Washington, is an ordinary eleven-story gray-colored brick building, with about as much architectural pretension as a box-car. History has been made there and more history is being made.

In that building, while he was Secretary of Commerce, President Hoover was built up into the presidency. A privately-owned building, it was deserted by the Department of Commerce in favor of its new palace about the middle of January. It was internally a desolate wreck. A week later it was humming again with life. The same crews that had stripped it of its well-worn furniture were surging into it with other furniture. It had been rerented for the new Reconstruction Finance Corporation. Through the confusion strode General Dawes, the resigned ambassador to the Court of St. James, more recently resigned from private life enjoyed for one week, suddenly summoned to Washington.

On the Job

"I'll have my office here," he can be visualized as saying, with a decisive wave of his famous underslung pipe. At the moment he was president of a corporation that had not yet been legally born. The emergency mobilization against depression and deflation was on.

"As I visualize the Corporation," says the new Secretary of the Treasury, Ogden L. Mills, "it puts the Government in the position to close almost immediately any gap that might develop through an emergency in our credit structure. I look upon it as an insurance measure more than anything else. I think its very existence will have a great effect psychologically."

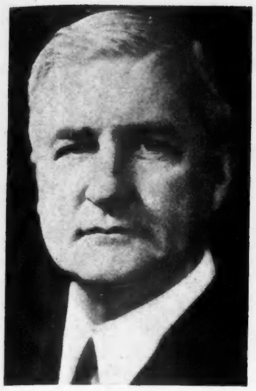
The new institution, with a capital of 2 billion dollars, may lend to banks of all kinds, assist suspended banks to resume, lend to railways, trust companies, exporters, building and loan associations, agricultural and livestock credit corporations, insurance companies, distressed individual farmers, credit unions and mortgage loan companies. In some quarters it is regarded as a dangerously inflationary undertaking. In others it is hailed as definitely marking the end of the business retreat and rout. Much depends upon the management and, therefore, upon the personnel of the Board. As things now stand it is up to the seven men on the Board to bring back prosperity. Can they do it?

So This Is Dawes

Little need be said about General Charles G. Dawes, Chicago banker, one-time comptroller of the currency, general purchasing agent of the American army in France, organizer of the Dawes Plan for German reparations, Vice-President of the United States, 1925-1929, Ambassador to Great Britain, winner of the Nobel Peace Prize in 1925. Despite his sixty-six years he is a human dynamo, thinks fast and acts faster. He is fearless to the verge of rashness and even impolitic. "Hell and Maria!" he exclaimed to a Congressional investigating committee which wished to prove that the war had been wastefully managed by the Democratic administration. "We won the war didn't we?" And "Hell and Maria" has since been a slogan for action and results, and "Hell and Maria" it will be for the executive head of the new business rescue squad.

Meyer a Cool Furnace

Eugene Meyer, 57, born in California and hailing from New York City, chairman of the Board, will be a bit of a brake on the fiery general. Said to have been "discovered" and commandeered by Bernard Baruch for public service, after he had amassed a great fortune as a private banker and investor, at the age of forty-two, he has been in public service with but one short break since. In the first part of the war he was a member of the Advisory Commission of the Council of National Defense, and had charge of non-ferrous metals for that body and later for the War Industries Board. He was director of the War Finance Corporation during the war and again in 1920 after its



Jesse H. Jones

Wilson McCarthy

Harvey C. Couch

H. Paul Bestor

Personalities of the Big Seven Behind the Reconstruction Finance Corporation

By Theodore M. Knappen

revival, resigning to become director of the Farm Loan Board in 1927. In 1930 he was appointed Governor of the Federal Reserve Board. Meyer is slow and deliberate in manner but impresses one as being something like a subdued volcano. He is a hard but deliberate worker, a concentrated thinker (after Yale he studied banking and international finance in Europe) and a master of loading details onto subordinates. His bent of mind is decidedly conservative. Nevertheless he is the originator of the idea of the Reconstruction Finance Corporation, modeled after his War Finance Corporation, which performed brilliantly and successfully and cleaned up a profit of 70 million dollars for the Government.

But, he said at its beginning: "It's all right, even if you lose a lot of money."

Doubtless he would say the same thing about the Reconstruction Corporation. And that is just what another member of its Board did say the other day. It would be hard to say what it would be worth to restore prosperity. It should be remembered that Meyer is still governor of the Reserve Board. It is considered that his duality of jobs will make it certain that the Reserve Board will now pursue a liberal credit policy. Some economists assert that unless the Board uses all its powers to thaw credit the Reconstruction Board might as well save its breath. It can, they say, *save;* but it will take the Reserve System to *animate.*

Bestor, Scholar and Financier

Another ex-officio member of the new Board is Paul Bestor, Farm Loan Commissioner, head of the Farm Loan Board, a body which is second only to the Federal Reserve in the American official financial structure. Its Federal Land Banks have loaned 1,700 million dollars during their existence; the joint stock land banks, 900 million dollars; the Intermediate Credit Banks, 710 million. Iowa and Missouri product, educated at Yale, specialist in Latin-American history, explorer in Peru, farm land reclaimer, he began his banking career as registrar of the St. Louis Federal Land Bank in 1922. He became president of that bank and also of the Intermediate Credit Bank for the same district. He was promoted to his present position in the Farm Loan Board in 1922. Meyer is credited with discovering him. He knows agricultural finance from top to bottom. His specialized duty in the Reconstruction Board will be its relations with the three types of rural credit banks. He holds that American agriculture is by no means sunk, and likes to tell stories of how, even in recent hard years farmers have achieved individual successes. He is only forty-nine years old, lives on hard work, believes in the Reconstruction Finance Corporation and may be depended upon to do his part in putting it over.

Mills, Born to the Purple

Still another ex-officio member of the Board is Ogden Livingston Mills, New Yorker, who succeeded Andrew Mellon as Secretary of the Treasury. Born in 1884 he is tied with Wilson McCarthy as the kid of the Board but is in a class by himself as having been born to wealth and the social register. His paternal grandfather, Darius Ogden Mills, was one of the 1849 California Argonauts, registering from Buffalo, New York, but instead of digging gold he put it into his own bank, made a great fortune, located in New York City in 1880 and made another fortune in real estate. The Mills hotel for the hard-up is his best known monument. Ogden Mills' mother was a daughter of the famous Livingston family, New York. As a public man he was further handicapped by a Harvard education and a Harvard intonation (some of which he has rubbed off). Fine type of born man of leisure who works for the fun of it. A lawyer at twenty-four he was soon active in politics and business, broke into the New York State Legislature, did his trick with the A. E. F., served in the 67th, 68th and 69th Congresses, and was appointed under-secretary of the U. S. Treasury in 1927. As a member of the Millham Corporation (Mills and John Hays Hammond) he is reputed to have made a new fortune in the Kettelman

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How Chain Store Policies Are Combating Depression

Proper Relation of the Interests of Manufacturer, Chain Operator, and Customer Insures Enduring Success of This Still-Growing Form of Merchandising

By W. T. Grant
Chairman, W. T. Grant Company

As told to GILMORE IDEN

Investors in Chain Store securities will find this authoritative article by a successful leader in the field, of unusual help in appraising the merit and prospects of individual issues.

MODERN business principles are quite different from what prevailed fifty or even twenty-five years ago. In the memory of the present generation the character of the men, the nature of their transactions and the methods of doing business, the very complexion of business itself, has changed radically. The attitude of business in the old days was simplified in that it had only one purpose, that is, to get all the profit it could regardless of society. But the standards required of business today are higher and will continue to improve. Eventually business will fill its true place in society, which is that of giving life-increasing worth and satisfaction.

Profits or Customers?

The subject resolves itself into this; either business directed for profit; or business directed for consumers. Business directed solely for profit cannot compete with business directed for consumers. Business for consumers, with the proper allocation of profit as a necessary item of overhead expense, is the principle that will be the basis of successful business, small or large, from now on. While this principle may not be the panacea for all our business ills, it is a definite cure for a large percentage of them. It is urged solely on the basis of sound business procedure, the result of experience in a highly competitive field, that of chain store operation.

The public may think that chain stores operate upon a very narrow margin of profit, but it is the volume of the profit and the consistency of the profit that counts. To look at the narrow profit margin is not seeing the picture complete. Because the well organized chain store can give the consumer better value and better service, the well organized chain store has successfully weathered the storm of the business depression of the past two years.

Forty of the leading chain store companies reported a net decline of only approximately 5.7 per cent in the dollar value of sales in 1931 in comparison with 1930. Among other merchandise organizations and among industrials generally, similar results are exceptional.

Due to the peculiar conditions confronting the country it may be thought that the chain stores have had an unusual opportunity to offset the decline in dollar values and the reduction in volume, by their ability to acquire new units economically and to spread in their field of operations. In many instances that is true, but the excellent results shown this year are not entirely due to that fact. In our own case, for example, during each of the last two years of the depression, the W. T. Grant Co. has well maintained its earnings and during the same two-year period we have made an approximate increase of 40 per cent in new units, reaching a total of more than four hundred stores. A part of the gains in earnings has been due to these added units although we figure that a new store does not begin to achieve its maximum sales ability and earning power under two or three years, and not all of these new units are yet contributing fully to our current profit record. Another part of the earnings increase has been effected by economies of operation; but either or both of these factors does not entirely account for the gains. Nor do I believe that our success has been due to any exceptional brilliancy on our part. It has been due to our sense of responsibility to the consumer, coupled with our method of handling the item of profit.

To Give Is To Get

When I started in business in 1906 I had a very definite idea that if I would make a success I must think of giving something to the consumer. No one can hope to get unless he is willing to *give*. Through mass distribution, concentrating on the low priced articles, quick turnover, centralized purchasing and financial control, we have been able to give the consumer for his dollar far more than he was getting. To that principle the best chains constantly adhere. The sales of the Grant stores in 1921 were slightly over $10,000,000 net, whereas during 1931 our net sales will exceed $75,000,000. Earnings have been consistently maintained because we have been careful to figure rightly

the share due the customer, the manufacturer and the stockholder.

Here is how it is done. Taking 100 as a unit we allow, let us say, 5 for rent, 10 for help, 5 for miscellaneous expenses, and 10 for supervisory services and profit—a total of 30 for all charges, leaving a balance of 70 for merchandise. Instead of making the profit a variable factor we put in a minimum figure on which it seems safe to plan. Then, our overhead expense and profit having been provided for, we are free to concentrate all our attention on how much we can get the consumer for his dollar. All we need to know is that, if we do not spend more than 70 cents for every dollar's worth of goods sold, we cannot go wrong unless we fail to get customers. But our chance of getting customers has obviously been good because our whole thought is concentrated on getting our customers the best possible values for that 70 cents. This method has been our simple insurance against failure.

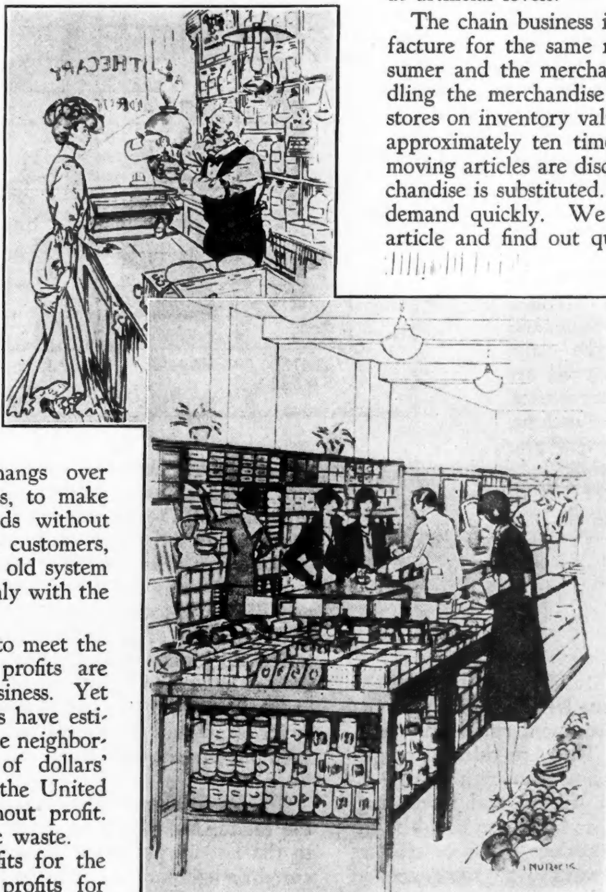
Our whole approach to business has been different from that of the promotional bankers, our idea being to popularize the store by giving the greatest possible values. It is the prime duty of store management to merchandise. That spirit has permeated every department of the company. This approach has had another important effect. It has tended to discourage in our business one of the greatest curses that hangs over American business, that is, to make a practice of selling goods without profit as a bait to attract customers, as stupid a practice as the old system of not marking goods plainly with the selling price.

If business is necessary to meet the needs of the consumer, profits are essential to sustain that business. Yet some competent authorities have estimated that something in the neighborhood of twenty billions of dollars' worth of the business of the United States is being done without profit. That is a terrific economic waste.

But there must be profits for the manufacturer as well as profits for the consumer and the merchant. There is a direct connection between the chain and the manufacturer, although this is not exclusive. The Federal Trade Commission reports that only 70 per cent of the merchandise sold by chains is purchased direct from the producers or manufacturers, whereas the remainder is purchased from wholesalers or jobbers. The tendency is, naturally, that the chain shall act as its own jobber and purchase direct. On the other hand, while it is extremely rare, it is a fact that some of the chains will sell at wholesale.

In this period of development the chain store organization does not fit into any exact mold as these facts indicate. But the chains do save the middleman's profit and do share that profit with the consumer. They do not take advantage of the manufacturer and it is not the common practice to tie manufacturers up with exclusive contracts which leave them no profits. As a matter of fact there are some successful chains, notably in the shoe trade, which operate upon a joint plan with the manufacturer, sharing expenses as well as profits, and they have been very successful.

Chains do want to give the consumer the very best value for his dollar and they are desirous of keeping prices down, but they are not price cutters. On the other hand, I do not believe in price maintenance that means sticking to a ridiculously high figure set by a misguided manufacturer. The retailer should have a lot to say in determining the price the public is asked to pay. The manufacturer should not ask an impossible price in the first place. The public is the retort in which prices must be tested, and if the test shows a weakness the producer is not justified in running to the lawmakers to ask for a law enabling him to fix prices at artificial levels.



Courtesy Crowell Publishing Co.

Yesterday and Today in Retail Practice

The chain business is profitable business to the manufacture for the same reason it is profitable to the consumer and the merchant, because of the speed in handling the merchandise and collecting the sale. In our stores on inventory value at wholesale we turn our stock approximately ten times a year. That means the slow moving articles are discarded and the quick moving merchandise is substituted. We can sense a change in style demand quickly. We can take a test order of a new article and find out quickly for the manufacturer if it is worth his while to plan any extensive production of the commodity. That is a very definite service to the producer and represents a real tangible value.

We have found that the best procedure in buying is to bring the customers into the conference. It cannot be done actually, but it is possible to say to the manufacturer: "We can use 50,000 hair brushes of the same size and styles as our last order of 30,000, and we will pay you a fair price. We want you to pass the savings you can make in manufacturing this increased quantity of brushes on to our customers, for they are yours too, in the form of better bristles, better wood, better workmanship. You, of course, will profit more than before as you and we give our customers more value for their money."

The beauty of such bargaining is that it works. Instead of "squeezing" the manufacturer, the chain buyer is in a position to revolutionize distribution, to the distinct profit of the man who lays his money on the counter. The promoter will not do this, but the merchant will.

The merchant or manufacturer who sees as his job only getting a lot of dollars out of a community and making a profit on them, is something of a burglar. The robber goes only a step further and takes all without giving anything.

Chain store profits have ranged from 2 to 8 per cent on sales. However, net profits are derived from good

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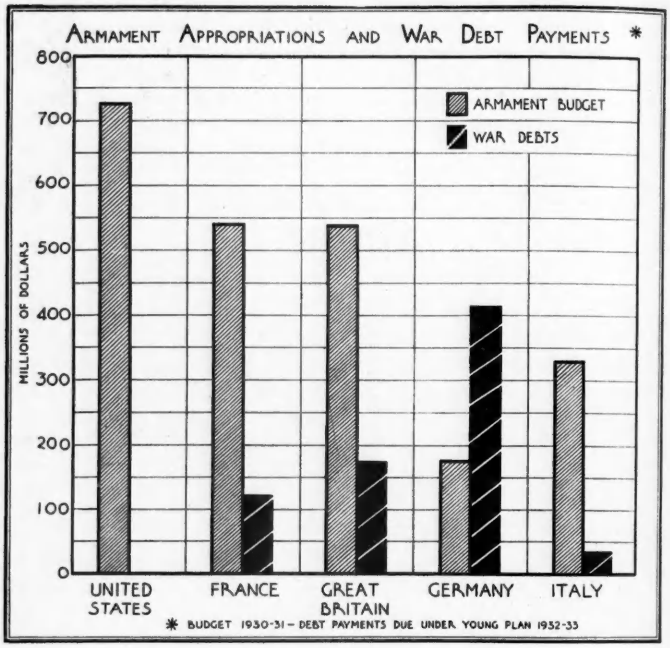
Things To



Disarmament and Debts

The world chuckles at the travesty of representatives of the leading powers indulging in the subtle strategy of disarmament at Geneva to the distant accompaniment of cannonading in the Orient. Yet the incongruity of these negotiations is no more pronounced than is the contrast between arms expenditures and international debts. Of course it might be pointed out that, as the graphs which appear on these pages show, the United States leads other nations in armament appropriation, but when the figures are reduced to a per capita basis it is obvious that the amount we expend is less excessive in proportion to the number of individuals to be defended than can be said for other nations, and what is even more important, the claim cannot be brought against us that we are imperiling just debts by such expenditures.

On the other hand, the European nations, with the exception of Germany, every year far exceed the amount due on their indebtedness by the amounts spent for national defense. If this sum were reduced by a reasonable proportion, the peace of the world would be made more secure through the settlement of just obligations.

An Investment Lesson

Leaving an estate estimated at $50,000,000, the late Paul M. Warburg, eminent banker, also left in his will for the guidance of his heirs a set of investment rules formulated out of his own rich experience. They are rules concerned far more with the keeping of money than with making it, but any investor will find them helpful and interesting.

Mr. Warburg directed, first, that his estate could be invested in any manner in which savings banks or trustees can lawfully invest money. Secondly, he recommended bonds secured by first mortgages on improved real estate in the City of New York, but with the limitation that not more than 5 per cent of the undistributed estate be invested in any single such bond or mortgage.

Third, he favored bonds of the United States, the State of New York and the City of New York, placing no restrictions upon such investments. Bonds of other American cities of not less than 100,000 population also are included, provided there has been no default of principal or interest by such city for ten years preceding the investment and with the limitation that not more than 5 per cent of the estate be invested in any single such security.

Of particular interest is the apparent fact that Mr. Warburg retained his confidence in foreign bonds, authorizing investment of up to 25 per cent of the estate in bonds of foreign governments or cities, but not more than 5 per cent in bonds of any single country or city.

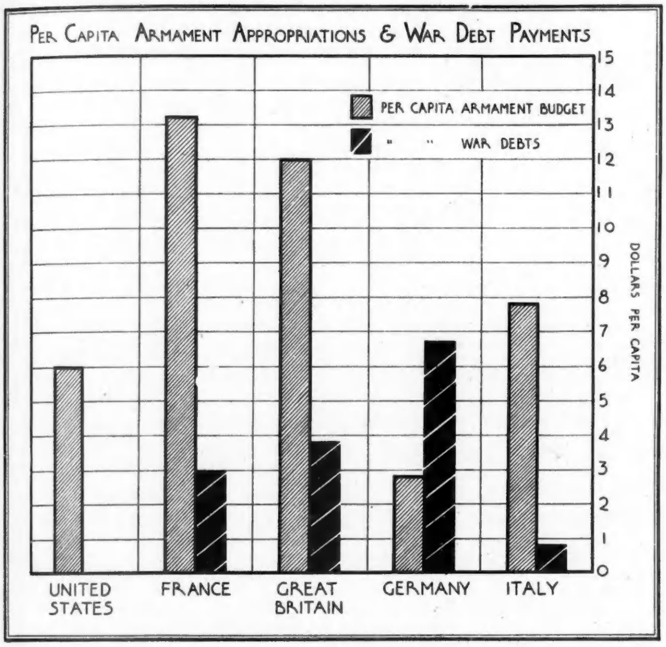
A limit of 15 per cent is placed on the total amount to be invested in the preferred stocks or "in any obligation" of American railroads. The road must have paid full preferred dividends for ten years and in addition must have paid dividends for ten years of at least 4 per cent per annum on an amount of the common stock equivalent to the preferred stock outstanding. The amount invested in any one road is limited to 5 per cent and in any one class or kind of that road's security to 2½ per cent, except that the entire 5 per cent may be placed in any mortgage bond that is legal investment for savings banks in the State of New York.

Finally, after providing maximum safety for the bulk of the estate, Mr. Warburg relaxed his caution somewhat as to the last 20 per cent. It may be invested in bonds, secured or unsecured, of any corporation, or in preferred or common stocks of any corporation.

Have Your House Sent Up

One of these days, it is predicted, you will be able to stroll into a house store, pick out your new house and have it delivered to your lot. Two or three days later you move in. It will be as simple as buying an automobile—all in one transaction, financing and everything. Metal producers see in the ready-made house possibilities of a wonderful new outlet for their commodities. Lumber manufacturers are taking up the idea for reasons of commercial defense as well as offense. Real estate developers and the building industries visualize a boom in

Think About



small-house building. At present a house is built. Most other things are manufactured. Result is that houses being without the advantages of mass production are relatively just as costly as ever. Under the new dispensation houses are to have their parts manufactured in large sections at the factory and merely assembled on the job. All costly hand production on the job is to be eliminated. The manufactured house is to be vastly cheaper and of better quality than the ordinary run of houses under present methods. A good, thoroughly modern five- or six-room house for $3,000 is on the cards. The country is built up several years ahead on monumental structures. But there are 14,000,000 obsolete or obsolescent houses in the country. Make it as cheap and easy to buy a house as an automobile and the field for expansion is enormous. Maybe the building industry will again come to the front as a prosperity maker, pulling the steel, lumber, and numerous other companies associated with construction, in its train.

A Good Time to Lose Strikes

Equalizing deflation has taken another step. New York, Chicago and many other cities are reporting that the building trades employers associations are announcing wage reductions of as much as 25 to 30 per cent. The men may strike, but most of them have no jobs at present. Lower wages will stimulate building and reduce unemployment. If under present conditions the unions should strike they won't be able to go far. Wage reduction is in fact a step in the direction of spreading out employment. The unions would naturally prefer, as a matter of long-time policy to have fewer men employed at high wages than more men at lower wages. In this they will lack public sympathy. And circumstances are against them. A jobless man is a human being first and a union member second. Moreover the upward response of wages in good times in the United States is notorious. Labor will lose nothing by suspending for the moment its normally laudable insistence on the highest possible rates of pay.

Railroad Investors to Get Consideration

The prospect is good that "fair return" and valuation will be eliminated from railway rate making. The investor is to be put into the picture. The new idea, which seems to meet with favor in all quarters, is that rates shall hereafter be determined by considerations relating mainly to keeping the roads in a prosperous condition. That means that rates will be adjusted to the requirements of railway improvement, expansion and financing. The famous recapture plan will most likely be abolished. If the new idea is adopted rates will be fixed in the main with a view to avoiding responsive changes according as times are good or bad. They will be high enough to enable the railroads to accumulate enough "fat" in prosperous times to carry them through starvation periods.

Exaggerated Losses

One of the apparently inevitable effects of depression is to exaggerate every factor of adversity. We have been deluged during the past year with gloomy comment regarding our losses in foreign trade, whereas the fact is that this shrinkage is but a drop in the bucket as compared to the decline in our domestic volume of business and the profits that derive from it. If we could have even a 10 per cent improvement in domestic trade, our forebodings as to international trade would largely vanish. Moreover, our foreign business has for years been the least profitable, much of this expansion representing a naturally costly effort to develop outlets for the future and likewise to swell mass production in order to achieve minimum costs in the domestic market. The actual profit lost is much smaller than is generally supposed.

On the other hand the profitless operation of the numerous foreign branch factories of domestic corporations receives little attention. This grandiose scheme of building for the future has benefited foreign labor and foreign purchasing power at the expense of our own. No wonder we hear Britain and other countries urging us to create more American factories abroad.

What to Do With South American Bonds

Encouragement Offered in Improving Position of Argentine and Uruguayan Issues

By Russel Tayte

Few groups of securities have proven more disappointing in the past year or more than South American bonds. Yet recent strength in certain issues is not without foundation and there is the implication that all is not lost.

THE average investor in the United States today probably would be hardly more willing to put his money in a South American bond than in a Chinese or Russian bond. The collapse of market prices has frightened him and recent revelations as to the banking methods employed in South American financing have left a bad taste in his mouth, particularly since he is unaware that in some South American countries it is difficult to conduct even the most legitimate business without a modicum of "grease."

Yet the present well-nigh blanket distrust of South American bonds is virtually as unreasoning as was the undiscriminating confidence with which such bonds were snapped up during the boom years preceding the depression.

The mistake which so many careless buyers made, forgetting even the elementary geography of their school days, was in failing to comprehend that South America is a continent of many countries and that these countries differ greatly from each other both in national characteristics and in economic resources and circumstances. It is a mistake which some investors are continuing to make.

A Huge Drop

Our total stake in bonds of South American governments exceeds $1,500,000,000. At the low point of the bond market in 1931 the quotable value of this investment had depreciated by 80% from par, leaving a remaining value of less than $300,000,000. Subsequent recovery has raised the figure somewhat and constitutes a partial recognition that in the aggregate the lowest 1931 valuation was a fantastic exaggeration of investment hysteria.

Regardless of present economic difficulties, anyone even casually acquainted with the enormous natural resources of South America cannot fail to be struck by the thought that $300,000,000 is a ridiculously small appraisal to place on the ultimate debt-paying ability of that continent.

The error of collective investment judgment which it appears to represent, however, is, obviously, greater in relation to some South American countries than to others. Hence, generalization as to "South American bonds" is not only useless but even misleading. There is little demand for these bonds and few possess a quality appealing to genuinely conservative buyers at this time.

The practical question is whether those who already own such bonds should dispose of them at the present tremendous sacrifice. Some guidance along this line perhaps can be had by a brief consideration of individual countries.

Of all South American countries the dollar bonds of Peru have been hardest hit. The explanation is not hard to find for this country's economy rests overwhelmingly upon a limited number of mineral exports, notably copper, silver and petroleum. Export duties on such products provide the bulk of the government's revenues. Accordingly, Peru's ability to meet her foreign obligations can be almost perfectly charted in line with fluctuations in the world price of copper, silver and petroleum.

It would be difficult to find any three major products more burdened by worldwide overproduction and more severely depressed by depression. Hence it is quite certain that Peru cannot make good on her foreign obligations, even in part, unless and until there is a substantial recovery in commodity prices. Except on exports, the country is not in a position to raise revenues from domestic taxation for the bulk of the native population is illiterate and poor. Peruvian bonds, however, are now selling at approximately 6 cents on the dollar and the chances appear to be that holders of them would lose more by selling now than by waiting patiently for better times.

Situation of Bolivia

The situation of Bolivia is much the same as that of Peru. Poor Indians make up the bulk of the population and governmental revenues are dependent upon exports of tin and other minerals. It is not too much to say that as tin goes, so goes Bolivia. And tin, along with copper, has now gone into economic eclipse. With Bolivian 8s selling also at approximately 6 cents on the dollar, the additional equity that the investor can lose is so small that it would appear advisable to retain the bonds in the knowledge that they would benefit ultimately from even a moderate recovery in tin prices.

The Republic of Chile is far stronger than either Peru or Bolivia, both in diversified resources and in the make-up of the population, but Chilean bonds sell at 13 cents on the dollar and at the market's low point sold at 10 cents on the dollar. Here again government revenues have depended chiefly on taxation of exports, notably copper and nitrates. The bottom has fallen out of both markets and, in addition, the Chilean nitrate industry is threatened by the effective competition of synthetic nitrates. The country has a better chance than Peru or Bolivia, however, of finding new sources of revenue and should eventually make good a greater percentage of its dollar obligations than can now be had by sale of the bonds.

If the vast and diversified resources of Brazil were more fully developed, there would probably be little question of her international credit rating. No quarrel can be had with the racial stock, which is industrious and which believes that foreign obligations should be respected. But the center of Brazil's economic universe is coffee, overproduced to the point of market glut. In an equally bad way are rubber and sugar, also important Brazilian products. The plight of these commodities accounts chiefly for a quotation of around 20 cents on the dollar for Brazilian bonds. The picture will not be substantially changed until commodities climb back to the profit level.

The above South American countries are those whose credit rating, as expressed in the open market, is poorest. It is worth noting that in each case we have a national economy dependent to a top-heavy degree upon the exportable values of one or two raw materials. It is also of interest to note that each has suffered a penalty for participation in price-fixing schemes of one kind or another, whether in copper, coffee, tin, nitrates, rubber or sugar.

In a Stronger Position

Colombian bonds reflect a moderately better credit standing, 6 per cent issues selling at 24 cents on the dollar. The reason is that this country has a highly diversified export business in products of the forests, mines and agriculture and is not too greatly dependent upon any single item. Its fundamental situation is such that its bonds should ultimately experience substantial recovery.

Uruguay, the smallest republic in South America, has the advantage of possessing an enlightened and progressive population, as well as a land rich in agricultural productivity. Its ex-

(*Please turn to page 558*)

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded Debt (millions)	Amount of this issue	Interest* Times earned 1930	Interest* Times earned Est. 1931	Recent Price	Yield to Maturity
Norfolk & Western 1st Consol. 4s, 1996	112	41	7.5	5.4	85	4.7
Atchison, Top. & Santa Fe Gen'l 4s, 1995	311	152	3.9	3.3	85	4.7
Pennsylvania Consol. 4s, 1948	607	20	1.9	1.2	92	4.7
Union Pacific 1st 4s, 1947	360	100	3.5	2.5	88	5.1
Northern Pacific Prior Lien 4s, 1997	313	107	2.2	1.2	76	5.3
Missouri-Kansas-Texas 1st 4s, 1990	107	31	2.8	1.2	72	5.6
Baltimore & Ohio First 4s, 1948	604	82	1.7	1.2	80	5.9
Kansas City Southern 1st 3s, 1950	65	30	1.5	1.2	62	6.6
Northern Pacific Ref. & Imp. 6s, 2047	313	107	2.2	1.2	88	6.8
N. Y., N. Haven & Hartford Ref. 4½s, 1967	258	31	2.0	1.4	67	7.0

Public Utilities

				Call Price	Recent Price	Yield to Maturity
Duquesne Light 1st 4½s, 1967	65	65	6.7	104½	94	4.8
Phila. Electric 1st Ln. & Ref. 4½s, 1967	166	34	3.1	105	93	4.8
N. Y. Telephone Gen'l 4½s, 1939	61	61	3.8	110	97	4.9
Westchester Lighting 1st 5s, 1950	22	9	3.1	NC	100	5.0
Cincinnati Gas & Elec. 1st 4s, 1968	35	35	5.3	100	83	5.0
American Telephone Coll. Trust 5s, 1946	462	68	6.1	105	99	5.1
Illinois Bell Telephone 1st & Ref. 5s, 1956	57	49	4.8	105	99	5.1
Detroit Edison Gen'l & Ref. 4½s, 1961	129	50	2.9	103½	90	5.2
Pennsylvania Pwr. & Lt. 1st 4½s, 1981	131	121	2.7	105	84	5.4
N. Y. Power & Light 1st 4½s, 1967	67	66	2.8	105	84	5.5
Pacific Gas & Elec. Gen'l & Ref. 5s, 1942	311	36	2.4	105	95	5.7
Denver Gas & Elec. 1st & Ref. 5s, 1951	46	9	2.3	105	91	5.8
Northern States Pwr. 1st & Ref. "B" 6s, '41	100	8	3.3	105	101	5.9

Industrials

Standard Oil of N. J. Deb. 5s, 1946	169	120	7.4	102	100	5.0
Swift & Co. First 5s, 1944	53	23	3.7	102½	98	5.2
Western Electric Debenture 5s, 1944	35	35	4.3	105	93	5.4
Bethlehem Steel 1st & Ref. 5s, 1942	118	13	4.3	105	88	6.6
Goodyear Tire & Rubber 1st & Coll. 5s, 1957	63	56	2.8	103	74	7.3

Short Terms

Name	Due Date	Amount This Issue (Millions)	Price Call	Price Market	Yield Income Basis	Yield Maturity Basis
Corn Products Refining 1st 5s	5/1/34	1.8	105	102	4.9	3.9
Detroit Edison 1st & Coll. 5s	1/1/33	10.0	NC	100	5.0	5.0
Union Elec. Lt. & Power Ref. & Ext. 5s.	5/1/33	6.2	NC	100	5.0	5.0
Norfolk & Western Imp. & Ext. 6s	2/1/34	2.0	NC	102	5.9	5.1
Cleve., Lorain & Wheeling Consol. 1st 5s.	10/1/33	5.0	NC	99	5.1	5.6
Bethlehem Steel Purchase Money 5s	7/1/36	22.3	105	94	5.3	6.5

* On total funded debt. NC—Not callable.

NOTE—Our preference in the above list, at present, are among the short term and second grade issues. The high grade long term bonds in the list will be subject to the possible adverse factor of higher money rates. Consequently, commitments in this class might well be postponed unless they are assumed for a period of years.

The Problem of Rail Maturities Will Be Solved

What the Investor Must Watch

By Pierce H. Fulton

THESE are times in which railroad directors and officials are not able, try as hard as they may, to do for their security holders what they have been accustomed to do for years, and what they would like to continue to do indefinitely. It is well for the hundreds of thousands of such investors to bear these facts in mind as they are called upon, at painfully frequent intervals, to readjust their outgo to sharply reduced and even omitted dividends, and, here and there, to the failure to pay bond interest on time.

The rail situation has been getting worse rather than better and, unfortunately, at this writing, shows no signs of early change, so far as earnings are concerned, although there are not likely to be more receiverships in the near future.

In this article special consideration will be given to the position of railroads having maturities this year, and likewise to those that have not. Some phases of the general situation will be presented as background for that picture.

First of all, in spite of intelligent and determined efforts, railway managements have not been able to get a sufficient volume of traffic to make earnings with which to meet their customary requirements in full. This being so, it has been necessary to cut expenses in every way possible, to reduce sharply, and even to discontinue dividends, and in a few scattered instances, to default on bond interest.

Some months ago, all but a few boards of railroad directors cast to the winds whatever pride they might have had about maintaining unbroken dividend records of many years standing. Recently, and at the present moment, the great majority of such boards are giving only secondary consideration to the continuance of any dividends whatsoever. They are most vitally concerned with keeping their properties going.

Who would have thought late in 1929, or early in 1930, that such a situation would have developed inside of two years? In his "bill of particulars" in reply to the labor leaders for more detailed information as to the need of a 10% reduction in wages, Daniel Willard, chairman of the Committee of Railway Presidents, showed what had happened to earnings in 1930 and 1931. He said that in the latter year gross earnings were $2,100,000,000, or 33%, less than in 1929. Gross income of all the railroads last year, after fixed charges, was $784,000,000. Interest on funded debt amounted to $495,000,000. Total fixed charges were $695,000,000. In other words, gross income exceeded fixed charges by only $89,000,000. There were 72 individual roads that did not earn that obligation last year.

Those were the results briefly for the railroads of the United States for a whole. Take the returns on just a few individuals roads for further illustration. Who would have believed, for instance, that the Atchison, Topeka & Santa Fe Railway, universally regarded as one of the best managed, strongest and biggest earning railroads in the United States, and which in 1929 returned nearly $23 a share for its common stock, would, in 1931, show only a little more than one-quarter of that rate?

Who would have thought two years ago that New York Central, one of the two outstanding systems in the East and which in 1929 reported nearly $17 a share for its stock, would have earned for last year only approximately $2,000,000 above fixed charges, equal to

Maturities of Representative Railroads in 1932

Railroad	Total Funded Debt Outstanding (000 omitted)	*Bonds, Equipment Notes, Maturing in 1932 (000 omitted)	Gross Earnings for 1931 (000 omitted)
Atchison	$310,626	None	$181,181
Baltimore & Ohio	636,014	$51,886	158,474
Chesapeake & Ohio	227,851	5,920	119,552
Chicago & Northwestern	348,231	3,967	102,270
St. Paul	481,048	3,710	111,423
Rock Island	317,913	4,067	99,069
Erie	269,211	3,500	90,153
Great Northern	355,560	1,158	77,087
Mo. Pacific	409,763	3,383	95,268
N. Y. Central	670,581	13,908	382,190
Norfolk & Western	103,240	4,596	79,855
Nickel Plate	148,324	20,981	36,551
New Haven	260,136	1,986	100,331
Northern Pacific	313,452	685	62,312
Pennsylvania	665,322	5,800	448,090
So. Pacific	684,457	7,736	196,642
Union Pacific	357,646	2,241	154,568

* Does not include bank loans.

about 40 cents a share, or that Chicago & North Western and Illinois Central would have been compelled to cut off dividends that they had paid for years and report deficits after fixed charges of around $6,000,000 and $4,000,000 respectively?

Such cases serve to illustrate the plight of the carriers. They are in the midst of a situation where the maintenance of both equipment and roadbed are still being kept to the minimum consistent with safety and economy of operation. Materials and supplies are being bought only as absolutely needed. Rail orders have been distressingly small, from the point of view of the makers of that commodity. Practically no cars or locomotives are being ordered. Already short term promissory notes and bank loans of the railroads have run into many millions of dollars. Still more dividend cuts and omissions are almost certain to come. Gross earnings are not improving. Small wonder then that the railroad executives are giving chief consideration to the meeting of fixed charges during the first quarter of this year, and likewise to the meeting at maturity, throughout the year, of bonds, equipment trust certificates, short-term promissory notes and bank loans.

The picture was changed very greatly by the organization of the Railroad Credit Corporation to collect the proceeds expected to be realized from the increased freight rates on certain commodities, that were authorized by the Interstate Commerce Commission for a limited time, and to loan those proceeds to the roads needing help with their fixed charges. The outlook was brightened materially also by the bringing into being by Congress of the Reconstruction Finance Corporation to help the railroads with the refunding of their maturities, as well as the banks with their frozen assets.

As a result of the organization of these two corporations, railroad directors and officers have felt reasonably certain in the last few weeks, if they can prove their needs to Mr. Buckland, Mr. Dawes and their respective associates, of getting help from both sources.

As to the refunding of obligations maturing this year, the precise problem with which this article is most vitally concerned, it is gratifying to state that the aggregate of such obligations is not large. The figure for bonds, equipment trusts and promissory notes is in the neighborhood of $270,000,000. Bank loans are not included in the amounts set opposite the individual roads in the accompanying table, nor included in the grand total, because they are not available in every instance, and because they are regarded as private transactions between the borrowers and the institutions from which the money is obtained.

The aggregate of the three classes of securities maturing this year is in contrast with nearly $365,000,000 in 1931, approximately $448,000,000 for the year before and $625,500,000 for 1915, the record high for a single year.

Roughly, more than half of the grand total, or $142,000,000, are equipment trust certificates. In normal times they are paid off serially out of treasury funds, except possibly in the case of a few weak roads. This year some of the roads that have not been called "weak" until rather recently will need to get help from the Reconstruction Finance Corporation to meet this kind of obligation. The Wabash, one of the few important roads that went into receivership last year, has deferred payment on a series of equipment trusts, pending action by that corporation on an application for a loan to meet various obligations. It has been unusual for a railroad, even in receivership, not to meet the interest and principal of equipment trusts promptly.

Hoit Photo from Nesmith

In the neighborhood of $61,000,000 of this year's maturities are short term notes. Deducting these two amounts from the grand total there is left a balance of only $67,000,000—a relatively small figure—of bonds to be met.

For January the total maturities were a little less than $24,000,000. In no case, except in that of New York Central, Baltimore & Ohio and St. Paul, was the amount in excess of $1,000,000, and in each instance it represented equipment trusts. For February the total is only a little more than $7,000,000, all equipments. Baltimore & Ohio and Norfolk & Western are represented, but here again in each instance the amount is less than $1,000,000.

In March a little over $16,500,000 will fall due, of which $2,000,000 represents equipments of the Pennsylvania.

Going over the figures month by month we find that the largest total for a single month is nearly $57,000,000 in August, of which $35,000,000 is notes of the Baltimore & Ohio. October comes next with about $45,500,000 and June third with a trifle over $40,000,000. In October, Nickel Plate will be called upon to take care of $20,000,000 three-year notes while in June "Cotton Belt" will have nearly $21,000,000 consolidated 4% bonds fall due.

In normal times this year's aggregate maturities of a little less than $270,000,000, would not be regarded as large. Individual roads would experience no trouble in meeting their quota through the sale of bonds. Now, when a road—no matter whether small or large—is not earning fixed charges, and it has borrowed to about the limit from the banks—even a few hundred thousand dollars of equipments look big and might put it in receivership.

With the Railroad Credit Corporation and the Reconstruction Finance Corporation in operation, no serious trouble should be experienced this year with either fixed charges or maturities, unless the earnings situation gets rapidly and materially worse. Even the weaker roads should be able to keep afloat.

This problem having been solved, apparently, for the time being, even a glance at the accompanying table will disclose the fact that, confronting railroad directors and officials, will be still bigger problems with respect to their capital structure, as earnings and credit improve sufficiently to make the funding of temporary obligations, now being incurred, possible.

(Please turn to page 558)

UNITED GAS IMPROVEMENT

Earnings and Price Cannot Continue in Opposite Directions

Present Period of Consolidation an Interlude in Progressive Growth of Strong Holding Company

By WARD GATES

IN the situation of United Gas Improvement Co., one of the largest public utility holding companies in the Eastern States, we have the unusual spectacle of the stock sagging down to lower and lower levels in each year since 1929 while earnings followed a directly reverse course, being larger for 1930 than for 1929 and larger for 1931 than for 1930.

Such a paradox, of course, is not mysterious, for United Gas Improvement, along with many other utility holding company common stocks, was swept up to absurdly high quotations in 1929. Nevertheless, it is sufficiently striking to merit investment attention, for whereas virtually all stocks have come down since 1929, very few companies, even in the utility field, have been able to show a sustained growth in earning power during the depression.

Correction of Speculative Excess

It need hardly be said that such divergent trends of earning power and stock market fluctuation will not continue indefinitely. In the stock's decline from the 1929 high of 59⅜ to its recent low of 17¼ and in the company's increased earnings during this period, there is a double correction of previous speculative excess and at least a substantial approach to a justifiable investment basis.

Such a situation is worth examination by potential investors, since it appears to offer not only a good current yield of reasonable safety but logical prospects of ultimate important capital appreciation.

It is perhaps worth while, however, to reverse the usual procedure in security analysis and, before taking up the broadly favorable position of United Gas Improvement, to consider some of the less favorable factors. It must be conceded, to begin with, that public utility holding companies in general have suffered a considerable loss of prestige and of investment confidence in the last two years. This is the inevitable reaction to over-expansion by various holding companies in the boom period and to the startling deflation which their securities have experienced.

The speculative excesses of 1929 in such securities rested upon the fallacious assumption of an unending prosperity in which even moderate expansion of the profits of operating utilities would be translated into a disproportionately large balance of net earnings available for common stock of the parent holding company. The average buyer did not stop to consider that a reversal of the trend would mean a similarly exaggerated decline in earnings of many holding companies, after providing for the fixed and prior obligations of subsidiaries.

It is possible that United Gas Improvement cannot entirely escape the blanket market effect of the change in sentiment that has occurred, but in the long run more basic investment factors will determine its course. There could be no better test of the fundamental soundness of a utility holding company than the depression through which we are passing. Any important weaknesses in capitalization or management will be inexorably shown up during such a period.

Twelve-Year Earnings Record Of U. G. I.

1931	$34,750,115
1930	32,810,744
1929	28,275,110
1928	21,015,271
1927	11,119,531
1926	8,600,381
1925	8,064,210
1924	7,861,323
1923	6,415,668
1922	5,434,032
1921	2,717,032
1920	1,557,401

Meeting the Test Successfully

That United Gas Improvement has successfully met this test is rather convincingly indicated by 1931 earnings for the parent company of $34,750,115, as compared with $32,810,744 in 1930 and $28,275,110 in 1929.

The explanation of this good record no doubt is to be found in the fact that United Gas Improvement is far more than a mere security promotion and far more than a mere owner of operating utilities. Its acquisition of properties has only been the starting point for the application of skilled and constructive management. That it is a holding company is merely a technical necessity, for its effort is expended primarily in the direct management of operating units in a relatively concentrated territory.

Perhaps the most important possible

adverse factor which can confront the company, along with all other utilities, in the near future would be a movement toward lower rates for gas and electricity. In a general way some reduction would, obviously, be in line with a downward trend of prices which has manifested itself in all other branches of industry. It remains to be seen whether politicians, all too anxious to make capital out of a vague "public utility issue," will pass up the opportunity for attack on the basis of lower labor and commodity costs for the utilities, as well as a lower valuation of existing properties as measured by reproduction costs.

In some instances lower rates would almost certainly cut severely into the earnings of utility holding companies and this possibility must necessarily be watched by investors. Unfortunately, since it lies so largely within the realm of politics, it is a problem for conjecture rather than analysis or forecast.

Finally, there is room for difference of opinion as to whether United Gas Improvement common stock at its recent price of 18 is yet genuinely cheap for investment. The yield of the $1.20 dividend at that price is 6.65%. The margin of dividend coverage may be considered adequate under present conditions but in relation to the possibility of unforeseen contingencies is obviously moderate, the parent company's 1931 earnings per share being $1.33, excluding its proportionate interest in undistributed earnings of subsidiaries.

Is the Stock Cheap?

On this basis the stock is selling at approximately fourteen times earning power. That would be considered a cheap appraisal in a bull market but whether it can be so regarded now is not so clear. For purposes of comparison, Consolidated Gas, one of the strongest operating utilities, yields 6.8 per cent on the $4 dividend at the recent price of 58 and this quotation is slightly less than twelve times estimated 1931 earnings of around $5 a share. On the other hand, the growth of United Gas Improvement earnings in the decade and especially in the past five years has been at a much more dynamic rate than that of Consolidated Gas and expectation of a continuation of this trend can readily account for the apparently more generous market appraisal of the stock.

United Gas Improvement was organized in 1882 and originally engaged primarily in engineering and construction activities, including the building and operation of gas works. It was the latter phase of its business which gradually led it more heavily into the utility field. Incidentally, it continues to this day its early functions in engineering and construction, although this branch probably contributes less than 5% of its total revenues.

The company's expansion until comparatively recent years was slow. By 1914 it had acquired interests in a number of widely scattered utilities, chiefly gas, in the East, South and Middle West. The next decade saw very little change, but, beginning with 1924, United Gas Improvement began both a rapid expansion and a consolidation of its business. It acquired various affiliates but adopted a policy of concentration in the east.

In 1927 and 1928 various properties in the Middle West and South were sold or exchanged for properties in Delaware and other important acquisitions were made in Pennsylvania, New Jersey and Connecticut. The outstanding result of these changes was to make the company primarily an electric, rather than a gas, utility. At present approximately 75% of its revenues come from electric power and light, 19% from sale of gas and the rest from miscellaneous services.

The change of emphasis from gas to electricity took its most definite form in United Gas Improvement's acquisition in 1928 of the Philadelphia Electric Co., which is now its largest and most profitable subsidiary. Through a wholly-owned subsidiary, United Gas Improvement had for years operated the municipally-owned Philadelphia Gas Works and still does.

Through the vast Conowingo hydro-electric development, a water power development that ranks in size with the much discussed Muscle Shoals, United Gas Improvement plays a leading role in one of the largest power pools in the world. Its integrated properties serve a population estimated at more than 5,500,000. Its territory includes such important cities as Philadelphia, Bethlehem, Allentown, Harrisburg and Hazleton; Wilmington, Del.; and, in Connecticut, such industrial centers as New Britain, Waterbury, Meriden, Bristol, Norwalk and New London. Among its large customers are the Pennsylvania and New Haven railroads and the Connecticut Co., which operates virtually all traction lines in Connecticut. However, in this latter connection it must be noted that recent program of slowing up further electrification of its lines by Pennsylvania will delay the large current sales that were expected from this source.

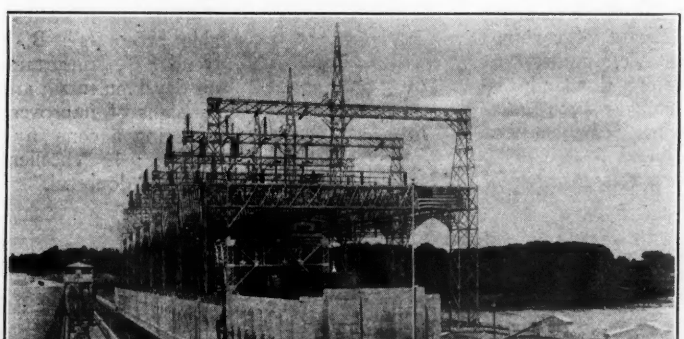
Consolidation Prospects

This is only part of the story of United Gas Improvement, however, for there are additional affiliations which make it certain that the company will play a dominant part in any further eastern consolidation plans which the future may develop.

It owns 36% of the common stock of the vastly profitable Public Service Corp. of New Jersey. Another 18% of this stock is owned by the Morgan-Drexel-Bonbright-sponsored United Corp., these two blocks constituting a majority of the issue. Making this affiliation of powerful financial interests still more complete, United Corp. owns 26% of the common stock of United Gas Improvement. Both United Gas Improvement and United Corp. have large interests in Niagara Hudson Power and in Commonwealth & Southern.

Following several years of expansion, United Gas Improvement has spent the past year in intensive consolidation of its position, co-ordinating

(*Please turn to page 555*)



Power Plant at Conowingo Dam in Susquehanna River

Semi-Annual Dividend Prospect of Leading Stocks

Part II—Leading Companies in Steel, Metals, Petroleum, Food, Chemicals, Merchandising, Equipments and Specialties

THE 1932 Dividend Forecast of THE MAGAZINE OF WALL STREET, the second part of which is herewith presented, is of unusual, perhaps unprecedented, interest to investors because no year has ever opened with greater uncertainty as to the corporate earning prospects on which payments of dividends depends.

It is easy for one to assume, almost unconsciously, that a dividend which he has been receiving for years, and received throughout the difficult year 1931, is safe. We have reached a level of depression, however, at which the dividend of almost no corporation can be taken for granted. As far as it goes, a long record of continuous dividend payment is to some extent reassuring. It gives a company an inducement to maintain its record as long as possible.

But dividends, after all, are secondary to earnings and should be so considered at all times. The tendency of the average corporation in the early months of this depression was toward excessive liberality in the hope of stimulating public confidence. Although company after company has since been forced to omit or reduce such payments, in a great many instances dividends paid in 1931 were in excess of earnings, with the result that surpluses built up in good years were extensively drawn upon. A large number of companies are continuing to pay dividends in excess of earnings.

Such a policy raises a serious investment problem. In theory it is sound and proper to use the excess earnings of good years to pay dividends in depression, yet it is now clear that business in general in 1929 had not specifically prepared itself for this contingency. The controlling factor is not "surplus," which in many cases includes heavy reinvestment of earnings in plant, but cash and marketable securities. In using such liquid resources for dividend disbursements many companies have been influenced too much by a mistaken judgment that the depression would quickly end.

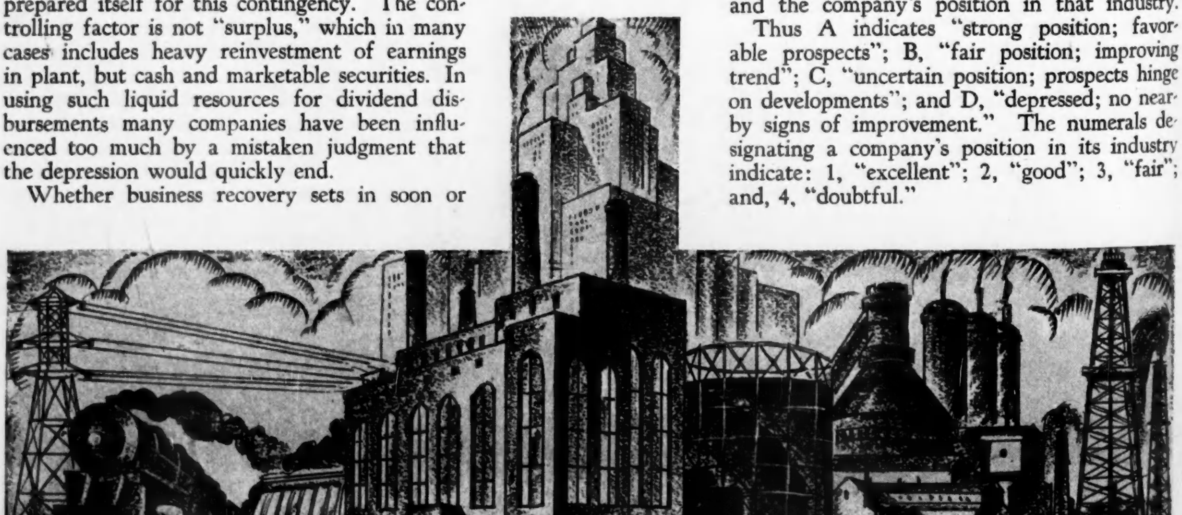
Whether business recovery sets in soon or not, it is probable that its progress can only be slow and that only the exceptional corporation will have larger profits in 1932 than in 1931. Under these circumstances scores of the dividends which now exceed earnings have yet to be scaled down or omitted and the safest rule for the investor is to rely only upon such dividends as are clearly being covered by current earnings.

The picture, however, is by no means as black as it would seem upon superficial examination. In declining more than 80 per cent from the quotations of 1929, stock prices have gone far toward discounting the worst that can happen to dividends. Often the final elimination of a dividend will mark completion of a stock's decline and investors who sell then will be retiring at the bottom.

In each case investment decision necessarily must be determined by individual considerations. One who is dependent upon dividends for a living income must, obviously confine his commitments as far as possible to safe issues. Others will do well to think twice before disposing of essentially sound stocks after more than two and one-half years of deflation.

Both long-term investors and speculators also will find it wise to remind themselves that the omission of a dividend may be bullish, rather than bearish, in its real implications, since it tends to strengthen the financial position of a company and to increase its chances of surviving the depression.

Each forecast in the following tables is accompanied by an investment rating indicating the prospect of an industry and the company's position in that industry. Thus A indicates "strong position; favorable prospects"; B, "fair position; improving trend"; C, "uncertain position; prospects hinge on developments"; and D, "depressed; no nearby signs of improvement." The numerals designating a company's position in its industry indicate: 1, "excellent"; 2, "good"; 3, "fair"; and, 4, "doubtful."



Recovery in the Hard-Hit Steel Industry May Be Long Drawn Out

IF 1930 was a poor year for steel, the one through which we have just passed was certainly worse. As far as common stocks are concerned the industry's earnings were almost non-existent. Indeed, there is no lack of examples even among the strongest companies of failure to earn preferred dividends and some have gone so far as to fail to earn the interest requirements on their bonded indebtedness.

This drastic curtailment in earning power is no more than a reflection of a much smaller volume of business at lower prices. The production of steel ingots in 1931 was nearly 40% under that of 1930 and constituted the smallest output in ten years. The trend of prices was almost steadily downwards. Quotations for finished steel and pig iron reached the lowest levels in a long time, while scrap prices made new, all-time low records.

Although the decline in prices may be attributed for the most part to the desire of individual companies to acquire as much of the available business as possible, the decline in demand is something for which the industry can in no wise be blamed. It can be attributed to the lowered requirements of every consuming outlet. Automobile production was some 30% under that of 1930, building made a similarly unfavorable comparison, while it is no secret that the railroads have curtailed their orders in every conceivable way. They took only two-thirds as many rails as in 1930 and cut their equipment orders to a quarter. There was also a drastic decline in the amount of iron and steel products shipped abroad.

What of the future? The steel industry is notorious for its "feast to a famine" characteristics, and we are certainly in the famine stage of the cycle at the present time. Are we to feast shortly? Unfortunately, it is impossible to base such a hope on concrete facts. The new year has made an exceedingly slow start. Production has gained far less than seasonally, while prices are showing no signs of stability.

The question of price, however, will automatically tend to settle itself as soon as orders begin to arrive in reasonable volume. But the industry's excessive capacity which is continually being augmented, is constantly raising that which constitutes a reasonable volume.

Nevertheless, the outlook is not entirely devoid of possibilities for betterment. Automobile production in 1932 is not unlikely to be somewhat greater than in 1931, while the Reconstruction Corp. by extending financial aid to the railroads might easily stimulate steel and equipment buying on their part. But in the ultimate analysis the steel industry's prosperity depends upon a material improvement in the general situation and, until there is concrete evidence of this, no common stock dividend among the important steel companies can be considered wholly secure. As for the resumption of dividends which have been passed this is obviously a question which must be left until at least some little actual improvement is manifested.

Position of Leading Steel Stocks

Company	Earned per Share		Price Range 1931		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1930	1931	High	Low					
American Rolling Mill	$0.03	Nil a	39⅜	7⅜	9	....	....	D-2	Experimenting with metal house. Probably some time, however, before dividends are resumed.
Bethlehem Steel	5.26	Nil	70⅜	17¼	1	....	....	D-1	Unlikely to reinstate dividend payments for some time.
Byers (A. M.)	2.74b	Nil b	69¾	10⅞	13	....	....	D-2	Company's business must improve considerably to warrant payment of dividends.
Colorado Fuel & Iron	0.41	Nil E	32¼	6½	8	....	....	D-3	Operated at heavy deficit last year. Resumption of payments in near future unlikely.
Crucible Steel	4.59	Nil E	63	20	16	....	....	D-2	Possibility of comparatively early resumption of dividends if demand for special steels picks up.
Gulf States Steel	Nil	Nil E	37½	4	7	....	....	D-2	No dividend can reasonably be expected in the near future.
Inland Steel	5.41	1.05	71	19⅞	21	2.00	9.5	D-2	Company does comparatively well, but present business not believed to be covering dividend by considerable margin. Some reduction possible.
National Steel	3.91	1.75a	58	18½	20	2.00	10.0	D-2	Makes better showing than average for the industry, but business must improve to warrant continuance of present dividend for any length of time.
Republic Steel	Nil	Nil E	25⅜	4⅛	5	....	....	D-2	Consolidation troubles accentuate depressed condition of the industry. Dividends unlikely for some time.
Smith (A. O.)	10.66c	6.28c	192	33	40	....	....	C-2	Great exponent of mass production. Possibilities of early resumption fair.
U. S. Pipe & Foundry	3.42	0.49	37⅛	10	14	2.00	14.3	D-2	Current earnings estimated to be far below dividend requirements.
U. S. Steel	9.11	Nil E	152⅜	36	42	2.00	4.8	D-1	If business fails to improve maintenance of this dividend throughout the year is unlikely.
Vanadium	3.04	Nil E	76¾	11	13	....	....	D-2	A sharp pick up in automobile production would bring the resumption of dividends on this issue considerably nearer.
Youngstown Sheet & Tube	5.17	Nil E	78	12	14	....	....	D-2	Demand for pipe and other products must expand to a greater degree than is now expected to warrant payment of dividends in near future.

E Estimated. a Nine months ended Sept. 30. b Fiscal year ended Sept. 30. c Fiscal year ended July 31.

Less Cutthroat Competition Needed in Oil

IT might be thought that any industry whose products were as much or more in demand during 1931 as they were in the boom years of general business, would have little difficulty in making an excellent comparative showing. Yet, this is not the case. The oil industry, regardless of the fact that consumption has been well sustained and that there is no prospect whatsoever of a slump in the near future, has managed with the help of the anti-trust laws to work itself into such a position that current earnings are almost non-existent.

More particularly, the present situation can be attributed to overproduction of crude, excessive refining activities and a disposition on the part of the industry to do a volume business even should every gallon result in a loss. There is only one remedy: Co-operation. By this is not meant a plan similar to the price fixing schemes employed so disastrously in the case of other commodities, but something which will eliminate the terrible waste now prevalent in the industry. Co-operation implies the unit plan of production for oil pools. It implies, as regards the distribution of the industry's products, fewer filling stations erected for the sole reason that a competitor has one across the street. It implies less price cutting. In a word "co-operation" would mean sanity—no more.

It definitely does not mean the calling out of the militia, as has been done in Texas and Oklahoma, for no industry can profit permanently at the point of a rifle. But the very fact that armed interference has been deemed necessary should in itself stir the industry to real internal constructive action.

Until this is done the outlook for dividends from the oil industry as a whole cannot be considered particularly bright. True, some little progress has been made towards rectifying the underlying conditions and it can also be pointed out that the financial position of certain oil companies is such that they could continue to pay common dividends for some time regardless of the adverse fundamentals. On the other hand for every company whose financial position may be considered impregnable there are many who not only cannot meet dividend obligations but unless conditions show some betterment will soon be engaged in a struggle for existence.

Position of Leading Oil Stocks

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Atlantic Refining	$1.01	$0.19†	23⅜	8⅝	9	1.00	11.1	C-2	Company financially strong and well entrenched, but present dividend is not being earned.
Barnsdall "A"	2.27	Nil E	14½	4	5	....	....	C-2	May be some time before dividends are resumed.
Continental Oil	0.05	Nil E	12	5	6	....	....	C-3	Dividends unlikely in near future.
Gulf Oil	2.35	....	75½	25¾	28	....	....	C-1	Dividend recently passed in order to use funds for acquisition of properties at advantageous levels.
Houston Oil "new"	1.02	Nil E	14⅛	3	4	....	....	C-2	Has speculative attraction, but near-term dividend prospects appear remote.
Ohio Oil	1.20	Nil E	19½	5⅛	6	....	....	C-2	Considerable general improvement required before disbursements will be warranted.
Phillips Petroleum	0.71	Nil E	16⅝	4	4	....	....	C-2	Hard hit from many quarters. Quick resumption of dividends not likely.
Prairie Oil & Gas	0.91	....	20⅜	4⅛	5	....	....	C-2	Expected to merge with Prairie Pipe Line and Sinclair Consolidated.
Prairie Pipe Line	3.61	1.00 E	26½	5⅞	7	....	....	C-2	Earnings off sharply. Dividend passed.
Pure Oil	1.52a	0.18a	11⅞	3⅛	4	....	....	C-2	Resumption of disbursements depends upon the industry's betterment.
Royal Dutch	2.39	....	42⅝	13	18	....	....	C-1	Strong company, but has not been proof against unfavorable general conditions.
Shell Union	Nil	Nil E	10¼	2⅛	3	....	....	C-2	Major expansion undertaken at an unfortunate time.
Sinclair Cons.	3.01†	....	15⅞	4⅛	5	....	....	C-2	Expected to merge shortly with Prairie Oil and Prairie Pipe.
Socony-Vacuum	1.15	....	21	8⅝	9	1.00	11.1	C-1	Needs more time and better general conditions to demonstrate full benefits of merger.
Standard Oil Calif.	2.87	1.20 E	51¾	23⅛	25	2.00	8.0	C-1	Important company doing comparatively well, but dividend cannot be considered wholly assured.
Standard Oil Indiana	2.73	....	38⅛	14⅛	15	1.00	6.7	C-1	Needs only sanity in the gasoline market to do very much better.
Standard Oil N. J.	1.65	1.00 E	52⅛	26	28	1.00*	3.5	C-1	Immense financial resources afford assurance that the extra dividend will be maintained.
Sun Oil	5.10	1.63	45¼	26¾	30	1.00	3.3	C-2	Present conservative dividend reasonably assured.
Texas Corp.	1.53	Nil E	36¼	9⅞	11	2.00	18.2	C-1	Indefinite maintenance of current dividend would seem unlikely.
Tide Water Associated	0.76	Nil E	9	2⅛	3	....	....	C-3	Disbursements on common unlikely in near future.
Union Oil of California	2.19	0.80 E	26⅝	11	11	1.40	12.7	C-2	Strong financially, but last year's earnings are not thought to have covered current dividend.

† Including non-recurring profits. E Estimated. a Year ended March 31. * Plus extras.

Price Level Hampers Recovery of Many Metal and Mining Companies

NOW that the price of copper is below 7 cents a pound compared with 18 cents at the beginning of 1930, zinc 2.80 against 5.80, lead 3.55 against 6.25, tin 22 cents against 40 cents and other non-ferrous metals show similar declines, it is small wonder that this section of industry has the greatest difficulty in showing even the most insignificant earnings. Because price seems to be the cause of the whole trouble, all kinds of schemes to fix quotations have been tried, are being tried, or from present indications shortly will be tried. They are all, however, based on the fallacy that both price and output can be controlled at the same time. That these two things no more mix than do oil and water should be perfectly obvious from the disasters attending the plans to fix the price of rubber, coffee and wheat, to cite but a few examples.

Yet, we go on trying them and arrive at a state of affairs where no one can make any money. This is the present condition of the non-ferrous metal industry. What is to be the outcome? It would seem that a great number of companies were doomed to a long period of trial. Only the most efficient can survive and these are to have an exceedingly hard time. The present situation as it specifically relates to copper is brought out in an article elsewhere in this issue, but actually it is not much different in the majority of other metals. This is because all metals in greater or less degree compete one with another and a sore spot such as now exists in copper cannot but have a widespread adverse influence.

There are of course a number of particular companies for whom the outlook is less dubious than that of the class as a whole. Some are in an exceedingly strong financial position and this is always a reassuring feature. Others are mainly engaged in manufacturing and there would seem to be no valid reason why these companies in normal times should not be profitable enterprises regardless of what may happen to their "extracting" contemporaries. Finally there is that group which constitutes the greatest exception of all—the gold miners. As long as general business remains poor, and the world-wide grasping for gold continues, having as its inevitable effect low prices for commodities and other metals, this section may be expected to continue to experience comparative prosperity.

Position of Leading Mining and Metal Stocks

Company	Earned per Share		Price Range —1931—		Recent Price	Dividend	Yield %	Market Rating	COMMENT
	1930	1931	High	Low					
Alaska Juneau	$0.58‡	$0.80 E‡	20⅛	7	14	0.50	3.6	A-2	Some small increase in the present dividend rate possible.
American Metal Co., Ltd.	1.63	Nil E	23¾	4⅞	5	....	....	D-2	Slump in earnings necessitates the passing of the preferred dividend.
American Smelting & Refining	3.77	Nil E	58½	17⅛	15	0.50	3.3	C-2	Strong well-established company, but even the preferred dividends are not being earned.
Anaconda	2.07†	Nil E	43¼	9¼	9	....	....	D-1	Hard hit and faced with heavy floating indebtedness. Dividend resumption may be fairly long delayed.
Calumet & Hecla	Nil	Nil E	11⅜	3	3	....	....	D-3	Fairly high cost producer will have difficulty in paying dividends without material increase in price of copper.
Cerro de Pasco	Nil	Nil E	30⅛	9⅞	12	1.00	....	D-1	Company's financial strength is reassuring feature.
Federal Mining & Smelting	8.56‡	....	80	20	22	....	....	C-2	The recent passing of the preferred dividend makes disbursements on the common a remoter prospect.
Granby	0.27‡	Nil E	22⅝	5¼	6	0.50	8.3	D-3	Dividend cannot be considered thoroughly secure with higher metal prices.
Homestake	5.94	....	138	81	122	7.80*	5.4	A-1	Gold producer, doing well. S'rong financially. Periodic extras likely.
Howe Sound	4.09‡	1.19‡	29⅛	11⅛	11	2.00	17.5	C-3	Materially higher metal prices needed to assure continuance of present rate.
International Nickel	0.67	0.20 E	20⅛	7	8	....	....	C-1	Earnings off sharply, but company is making every effort to develop new uses for nickel.
Inspiration	0.23‡	Nil E	11⅜	3	3	....	....	D-4	As a high cost producer, outlook for dividends remote.
Kennecott	1.66†‡	Nil E	31½	9⅝	10	....	....	D-1	Low cost producer, but passes dividend.
Magma	2.50‡	Nil E	27⅜	7¼	7	0.50	7.1	D-2	Company in fair position, but badly needs higher metal prices.
Miami	0.97‡	Nil E	10⅝	2¾	3	....	....	D-4	Comparatively high producing cost lends obscurity to the outlook.
National Lead	7.58	....	132	78½	85	5.00*	5.9	C-1	As large producer of paint has suffered somewhat from curtailment in building operations. Dividend reasonably assured.
Newmont Mining	4.38	....	58⅞	9⅛	12	....	....	C-2	A mining investment trust. Resumption of dividends depends upon higher metal prices.
Patino Mines & Ent.	Nil	Nil E	15½	4⅛	8	....	....	C-1	Hard hit by the decline in tin. International tin pool may help matters temporarily.
Phelps-Dodge	0.18‡	Nil E	25⅝	5⅞	7	....	....	D-1	Copper must rise in price before dividends can be expected.
St. Joseph Lead	2.09‡	Nil E	30⅜	7	8	0.60	7.5	D-2	Lead recently registered a new all time record low price.
U. S. Smelting & Ref.	3.54	1.10 E	25¾	12⅜	16	1.00	6.2	C-2	The fact that last year's earnings were sufficient to cover present dividend r-assuring.

E Estimated. † Before special inventory reserves. ‡ Before depletion. * Plus extras.

Best Prospects Still Enjoyed by Trade-Marked Foods

As might have been expected, there is no evidence that the depression has resulted in any decreased demand for food in general, nor is there any reason to suppose that such lessened demand will make itself felt in the future. On the other hand, excepting the effects of a growing population, the food industry is far from dynamic. It follows, therefore, from the point of view of the individual company, that business is a question of obtaining at a satisfactory price as much of the available static volume as possible.

Broadly speaking, the industry may be divided into two divisions—the producers of non-branded products and the producers of something which is well known to the public under a trade-mark. Little need be said of the former other than that one has to go no further than the plight of the average farmer to realize that being engaged in an essential industry is no guarantee of prosperity.

In sharp contrast to the farmer's sorry picture, is the comparative prosperity enjoyed by many makers and distributors of branded foodstuffs. These have induced by means of advertising a great many persons to buy, not beans and coffee for example, but a particular brand of beans and a particular brand of coffee. Indeed, it would not be unduly exaggerating the point to say that people needing these products do not buy them as such. They buy a particular can or a particular name by force of habit just as half the world buys a "Kodak," not a camera.

The possession of a well-known trade-mark while always valuable is never more so than during a time like that through which we have just passed. In many cases it has been the means of avoiding the consequences of a disastrous decline in prices. The price of branded coffee, for example, fluctuates very much less than the wholesale market. The possession of a brand also undoubtedly enables business to be carried out with a very much wider margin of gross profit because of the necessarily heavy deductions for advertising and packaging expense.

But even though a well-known trade-mark is apparently essential to success in the food industry, it does not follow that all companies possessing such an advantage will necessarily be prosperous. For example, California Packing's "Del Monte" and other brands did not prevent a precipitous decline in earnings, nor did the large packers manage to weather the depression without serious adverse effects. For special reasons all of these companies suffered exceedingly heavy inventory losses, which even the possession of a trade-mark was not sufficient to offset.

Nevertheless, for the most part the manufacturers of package foods have done comparatively well and there is no reason to suppose that they will not continue to do so. Any dividend reductions in this class are likely to be moderate.

Position of Leading Food Stocks

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Armour "A"	Nil a	Nil a	4½	¾	1	....	....	C-2	Prospects for dividends appear remote.
Beech-Nut Packing	$5.52	$4.50 E	62	37½	40	3.00	7.5	A-2	The present rate seems more than reasonably well assured.
Borden	5.12	....	76½	35½	38	3.00	7.8	C-1	Passes usual stock dividend but cash seems safe. Recent price wars disturbing.
California Packing	6.16b	0.09b	53	8	10	....	....	C-1	Hard hit by decline in prices. Will probably require some time to recover.
Corn Products Refining	4.86	3.30 E	86⅝	36¼	42	3.00	7.1	C-1	Strong financially and does comparatively well under circumstances, but current earnings not believed to be covering dividend.
Cudahy Packing	5.03a	3.06a	48⅞	29	32	4.00	12.5	C-2	Has had big inventory problems. Moderate reduction not impossible.
General Foods	3.63	3.30 E	56	28¼	34	3.00	8.8	A-1	Earning fair margin only over current dividend requirements, but rate reasonably assured.
General Mills	4.83c	3.71c	50	29½	36	3.00	8.4	C-2	Any reduction in dividend which might take place should only be moderate.
Gold Dust	3.51	2.40 E	42½	14½	17	2.50	14.7	A-2	Dividend reduction would seem likely.
Loose-Wiles	4.00	3.10 E	54⅞	29⅞	34	2.60*	7.7	B-1	Regular dividend appears safe, but curtailment of extras not impossible.
National Biscuit	3.40	2.88	83¾	36⅝	42	2.80	6.7	B-1	Shows little margin over regular dividend for last year.
National Dairy Products	4.10	1.68d	50¾	20	24	2.60	10.8	C-1	Outlook hinges upon milk price stability.
Pennick & Ford	4.01	....	46½	22	26	1.00	3.9	C-2	Conservative regular rate seems well assured.
Pillsbury Flour	4.06f	3.60f	37	19¾	21	2.00	9.5	C-2	No reason to expect reduced dividends in near future.
Standard Brands	1.22	1.08	20½	10½	12	1.20	10.0	A-2	Not earning regular dividend, but any reduction should be moderate.
Swift	2.08a	1.37a†	30¾	14⅛	18	2.00	11.1	C-1	Maintenance of present dividend probably dependent upon no further drastic declines in meat prices.
United Biscuit	4.01	3.70 E	41¾	18	22	2.00	9.1	B-2	Earning good margin over dividend requirements.
Wilson "A"	1.51a	Nil a	10¾	1¾	2	....	....	C-3	Back dividends on preferred again accumulating.

E Estimated. a Year ended Oct. 31. b Year ended Feb. 28. c Year ended May 31. d Six months ended June 30. f Year ended June 30.
† Includes non-recurring profit. * Plus extras.

Higher Chemical Earnings Dependent on Upturn in General Business

As was brought out at length in an article in the January 23 issue of THE MAGAZINE OF WALL STREET, the chemical industry pervades *all* industry. It is principally a producer of raw materials and as such it follows that there can be no widespread improvement in this one section without very considerable improvement in general business. The chemicals, however, will quickly reflect betterment wherever it should manifest itself because of their multitudinous uses.

It is also important to note that many of the chemical companies produce specialties whose consumption and price have not been affected to any great extent by the depression. This is a stabilizing influence and affords assurance of ultimate survival even in the unlikely event that general conditions become considerably worse than they are at the moment. It is this assurance of survival that makes the chemical industry such an interesting field for the individual who has the means to purchase common stocks without undue strain and the patience to hold them.

Despite their long-term attractiveness, however, the chemicals were quite severely affected by the general conditions of the last two years, although the industry was exceptional in the exceedingly small number of deficits which were reported. Nevertheless, the slump in earnings has been sufficient to cause a number of dividend reductions. Furthermore, there is every reason to believe that this movement is not ended, although prospective reductions for the most part have been discounted at present market prices. The word "reduction" is used advisedly, for almost without exception our leading chemical companies are earning something and under these conditions the number passing their dividends altogether should be very small. This theory is strengthened by virtue of the fact that the industry as a whole is strong financially. Indeed, there are certain individual companies whose resources are sufficiently great that they could, if they so desired, continue the payment of unearned dividends almost indefinitely.

Position of Leading Chemical Stocks

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Air Reduction	$6.32	4.54	109⅝	47⅝	48	3.00*	6.2	B-1	Regular rate well covered, but there may be fewer extras.
Allied Chemical & Dye	9.77	...	182¾	64	64	6.00	9.4	C-1	Dividend reduction thought unlikely.
American Cyanamid "B"	1.86a	0.22a	12¾	2⅝	3	....	....	C-2	Payments unlikely without material improvement in general business.
Columbian Carbon	5.04	2.61b	111⅝	32	29	3.00	10.3	C-1	Even lower rate not covered.
Commercial Solvents	1.07	0.83	21½	6⅝	8	1.00	12.5	C-1	Moderate dividend reduction not unlikely.
du Pont de Nemours	4.67	4.29	107	50¾	50	4.00	8.0	B-1	General Motors cut may be an influence toward lower rate.
Freeport Texas	4.28	3.00 E	43¼	13¼	17	2.00	11.8	C-2	Reduced rate appears safe for the time being.
Liquid Carbonic	5.87c	3.17c	55⅛	13½	17	2.00	11.8	B-2	Earnings fall sharply.
Mathieson Alkali	2.96	1.88	31½	12	16	2.00	12.5	C-1	Reduced rate not covered. Business improvement needed to maintain it.
Monsanto	1.73	1.90 E	29	16¼	22	1.25	5.7	B-2	Makes excellent comparative showing.
Texas Gulf Sulphur	5.50	3.40 E	55¾	19½	23	3.00	13.0	C-1	Covers dividend by moderate margin.
Union Carbide & Carbon	3.12	2.00 E	72	27⅛	28	2.60	9.3	B-1	Moderate reduction would appear likely.
U. S. Industrial Alcohol	Nil	Nil d	77⅞	20⅝	23	....	....	C-2	Has taken large inventory losses.

E Estimated. a Year ended June 30. b Nine months. c Year ended Sept. 30. d Six months. * Plus extras.

Equipment Improvement Must Await General Upturn

Of all the manufacturing divisions of industry in the United States, none has been harder hit by the depression than the producers of equipment. While it may seem perfectly logical, in view of the drastic curtailment in production, that the dealer in producers' goods should suffer severely at a time like the present, it nevertheless makes a sorry picture which in itself has contributed materially to the general disaster.

The farm equipments have been affected by the drastic decline in agricultural purchasing power. Moreover, they are burdened with staggering receivables, which have gradually accumulated during their efforts to force business. The building equipments, particularly those catering mainly to residential construction, are feeling in no mistaken terms the near-hibernation existing in this field. The business currently being done by the machine and electrical equipments is exceedingly small compared with the volume of 1928 and 1929 and they are now paying dearly for the

excessive and artificial demand which accomplished nothing other than to give us much of the overproduction about which we now complain. As for the railroad equipments, their condition is no more than a direct reflection of the terrible straits to which the carriers have been reduced.

Under these conditions it is hardly surprising that the equipment companies as a whole have drastically reduced their disbursements to common stockholders. Indeed, many dividends have been passed altogether and others are not unlikely to follow.

The future, however, is not entirely devoid of hope. In the first place all the better equipment companies have made drastic internal adjustments. Wages have been generally reduced and all kinds of production economies put into effect. As a result many members of this field could probably show profits on a volume of business and at prices which previously would have been thought to be ruinous.

But even this greater efficiency is dependent upon reasonable activity. What is the prospect of their attaining it? The railroads, whose finances have been such as to preclude the possibility of even normal buying during the last two years, are likely to increase their purchases somewhat now that wages have been reduced, the Reconstruction Finance Corp. is functioning and other steps taken to aid them. Furthermore, some moderate improvement in building is altogether within the realm of possibility, when the grip of fear is loosened on credit. The administration is making every effort to do this, not only in the general sense but to further construction particularly.

Nevertheless, it is probable that general recovery will have to be well under way before the equipment industry can reasonably expect to enjoy more than very meager prosperity and the near-term dividend prospects therefore cannot be considered other than not very hopeful.

Position of Leading Equipment Companies

Agricultural Equipment

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Case, J. I.	$9.67	....	131⅛	33¼	29	....	....	C-1	Passes dividend. Resumption depends upon collections and agricultural improvement.
Deere & Co.	6.06a	Nil a	44¾	8½	8	....	....	C-2	Near-term resumption of dividends seems unlikely.
International Harvester	4.55	....	60½	22⅝	23	2.50	10.9	C-1	No interim reports, but reduced payments not impossible.

Building Equipment

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Am. Radiator & Stand. San.	0.60	0.20 E	21½	5	6	0.40	6.7	C-1	Cuts dividend from 60 cents.
Johns-Manville	3.66	1.20 E	80¾	15⅝	20	1.00	5.0	C-2	Present conservative payment safe provided no further business recession takes place.
Otis Elevator	3.44	2.30 E	58½	16⅛	17	2.50	14.7	C-1	A smaller dividend would seem quite likely.
U. S. Gypsum	4.01	1.62b	50	14½	20	1.60	8.0	C-1	Further slackening in business would probably endanger dividend.

Machine and Electrical Equipment

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Allis-Chalmers	2.86	0.96	42¾	10½	12	0.50	4.2	C-2	Present conservative dividend probably safe.
Am. Machine & Foundry	2.95	1.07b	43¾	16	20	1.40	7.0	B-1	No immediate reduction in prospect.
Foster-Wheeler	6.34	0.03b	64½	8	9	....	....	C-1	Rehabilitation business needed to improve earnings.
General Electric	1.90	1.25 E	54¾	22⅞	19	1.60	8.4	B-1	Moderate reduction not impossible.
Ingersoll-Rand	4.72	....	182	25¾	31	3.00	9.7	C-2	Further reduction would seem likely, but company is strong financially.
Timken Roller Bearing	3.12	1.30 E	59	16⅛	19	2.00	10.5	C-1	Failure to cover dividend endangers rate.
Westinghouse Electric	4.45	Nil E	107¾	22½	26	2.50	9.6	C-1	Needs considerably better business to warrant dividend continuance.

Railway Equipment

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
Amer. Brake Shoe & Fdry.	3.24	1.14	38	13⅛	13	1.60	12.3	D-1	Failed to cover present rate by considerable margin last year.
American Car & Foundry	5.44c	Nil c	38¾	4⅛	7	....	....	D-1	No dividends likely for some time.
American Locomotive	1.41	Nil b	30¾	5	7	....	....	D-1	Railroad buying will have to increase materially before dividends can be expected.
American Steel Foundries	2.37	Nil	31½	5	7	....	....	D-2	Little near-term prospect of dividend resumption.
Baldwin Locomotive	1.94	Nil b	27⅞	4⅝	7	....	....	D-1	Dividends can hardly be expected for some time.
General Railway Signal	7.07	3.33	84⅛	21	22	5.00	22.7	C-1	A reduction would seem probable.
General American Tank Car	7.96	5.00 E	73⅛	28	30	4.00	13.3	B-1	While dividend was estimated to have been well covered last year, outlook somewhat uncertain.
Pullman	4.37	0.90 E	58½	15¼	20	3.00	15.0	C-1	Drastic slump in earnings would seem to endanger dividend.
Westinghouse Air Brake	2.05	1.00 E	36⅛	11	15	2.00	13.3	C-1	Present dividend cannot be considered secure.

E Estimated. a Year ended Oct. 31. b Six months ended June 30. c Year ended April 30.

Outlook Continues Good for the Merchandising Companies

IN view of the fact that retail trade has had to contend with both a lower volume of business and a steady decline in prices which must inevitably have resulted in some inventory loss, the majority of companies in this field have made an excellent showing. True, there has been some decline in earnings and in consequence some dividend reductions, but on the whole stockholders have been treated very well.

Of the various subdivisions of retail trade, the chain grocery stores have done best of all. This might have been expected, for although they too had inventory problems, their business volume has been unaffected. Indeed, on a tonnage basis most companies report steadily increasing business. Stores selling general merchandise have been affected by the decline in consumer purchasing power and the mail order houses have been affected to an even greater extent by the same adverse influence.

While a decrease in unemployment and a greater feeling of confidence on the part of the country as a whole, would undoubtedly do more for retail trade than any other single factor, it is probable that the industry has now seen the worst of its inventory losses. It can hardly be otherwise in view of the fact that prices have already declined so drastically that a duplication of their fall is an arithmetical impossibility. This consideration in itself is reason enough on which to base considerable hopes for the future, for with such an adverse influence removed many of the companies in the field would show considerably higher earnings even on the present volume of business. Also, it must be remembered that internal efficiency has been raised greatly.

Under these conditions one might expect further dividend reductions on the stocks of merchandising companies to be few and far between. Furthermore, this prospect is the more likely when consideration be given to the exceedingly conservative rates at present being paid by many companies in the field.

Position of Leading Merchandising Stocks

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
American Stores	$4.01	....	48¼	33	34	2.00*	5.6	B-2	Sales off 5.2% for last year.
Best & Co.	4.15a	3.02‡	46¼	19¾	22	2.00	9.1	C-1	Div. not yet endangered by lower earnings.
First National Stores	5.06b	5.50b E	63	41	48	2.50	5.2	B-2	Earnings well maintained. Could easily pay more.
Grant, W. T.	2.58a	2.80a	42	24½	26	1.00	3.8	B-2	Present conservative dividend safe.
Great Atlantic & Pacific	11.77c	13.86c	260	130	148	6.00*	4.1	B-1	Could even pay more than usual extra.
Kresge, S. S.	1.90	1.69	29⅝	15	16	1.60	10.0	B-1	Not earning particularly large margin over regular requirements.
Kroger	1.15	1.50 E	35½	12½	14	1.00	7.1	B-2	No change in rate anticipated.
Macy	6.70a	4.81a	106¼	50	52	3.00*	15.8	C-1	Regular rate expected to be maintained.
May Dept. Stores	4.75a	3.03a	39	15⅝	17	1.80	10.6	C-2	Crts dividend as was expected.
McCrory Stores	4.08	....	51¾	15	17	....	....	B-2	Earnings expected to show decline. Div. deferred.
Montgomery-Ward	Nil	Nil	29¼	6⅝	8	....	....	B-2	A more than $5,000,000 inventory loss taken.
Penney, J. C.	2.88	3.00 E	44¾	26¾	28	2.40	8.6	B-1	Doing well. No change in regular rate expected.
Safeway Stores	4.82	5.50 E	69½	38⅝	47	5.00	10.6	B-1	Earning little over regular div.
Sears, Roebuck	3.10	2.50	63¼	30¼	32	2.50	7.8	B-1	Div. safe prov'ded business becomes no worse.
Woolworth	3.56	4.24†	72¾	35	41	2.40	5.9	B-1	Regular dividend well covered.

E Estimated. a Year ended Jan. 31. b Fiscal year ended March. c Year ended Feb. 28. † Including profit on the sale of securities. ‡ Year ended Jan. 31, 1932. * Plus extras.

Position of Leading Specialty Stocks

Company	Earned per Share 1930	Earned per Share 1931	Price Range 1931 High	Price Range 1931 Low	Recent Price	Dividend	Yield %	Market Rating	COMMENT
American Can	$8.08	$5.11	129¾	58⅛	62	4.00*	6.4	B-1	Regular dividend appears assured.
American Chicle	4.42	4.18	48⅝	30¼	33	2.00*	6.1	A-1	Affords a high, well-protected yield.
Coca-Cola	11.15	11.50 E	170	97½	108	7.00*	6.5	A-1	Could pay even more.
Colgate-Palmolive-Peet	3.76	3.00 E	50½	24	29	2.50	8.6	A-1	Earning fair margin over regular div'd requirements.
Continental Can	5.04	3.30 E	62¾	30¼	36	2.50	6.9	B-1	Conservative dividend seems safe.
Drug, Inc.	6.03	6.00 E	73⅝	42¾	52	4.00	7.7	A-1	Earnings well maintained. Present dividend unlikely to be changed.
Eastman Kodak	8.84	...	185¾	77	72	5.00	7.0	B-1	Regular rate not endangered, but usual extra was not declared recently.
Hershey Chocolate	7.39	9.50 E	103¾	68	74	6.00	8.1	A-1	Even more than recently increased rate could be paid.
McKeesport Tin Plate	8.34	5.50 E	103½	38½	50	4.00	8.0	C-1	Earnings outlook not certain.
Procter & Gamble	3.37a	3.37a	71¼	36⅝	40	2.40	6.0	A-1	Earnings off somewhat, but dividend is conservative.
United Aircraft	1.28	1.00 E	38⅝	9⅝	15	....	....	C-1	Some time will probably have to elapse before dividends are paid.
Wrigley	6.14	5.60 E	80⅝	46	49	4.00	8.2	A-1	Regular disbursement seems quite assured.

E Estimated. a Year ended June 30. * Plus extras.

Market Indicators

For Profit

Miniature Flivvers

The Ford Motor Co., Ltd., of England has constructed at its Dagenham plant a midget Model "A". It will be powered with an eight-horsepower engine, having a bore of 2⅔ inches and a stroke of 3.64 inches. The car's length will be 7½ feet and it will have a track of 3¾ feet. The new development is quite evidently an attempt to offset the adverse effect on sales caused by England's staggering horsepower and gasoline taxes. These levies have made it impossible for even a moderately well-to-do man to run other than a small and extremely economical car. Is this state of affairs to be repeated in the United States? It may be if the new automobile tax and the numberless proposals for an increase in the gasoline taxes become concrete realities.

* * *

Stock Quotations as Advertisers

It is reported that the directors of the Rossia Insurance Co. are seeking the permission of the stockholders to cancel the company's New York Stock Exchange listing. While there are undoubtedly important and permanent reasons why the securities of banks and insurance companies should not be listed on a stock exchange, these are reinforced at times like the present by the unfortunate advertising effect caused by a low price. It is quite conceivable that Rossia might lose business for no better reason than its stock is quoted around $4 a share. There is plenty of precedent for the advertising influence of quotations. The gyrations in Auburn during the early spring of 1931 are rumored to have been worth as much as $5,000,000 to the company in publicity.

* * *

A Strong Preferred

Second only to Woolworth in the low-priced chain merchandising field, the S. S. Kresge Co. now operates over 700 stores in the United States and Canada. The enterprise has been an exceedingly profitable one, net income rising consistently from less than $3,000,000 in 1920 to more than $15,500,000 in 1928. While there has been a considerable recession since this time, it has not in any way impaired the strength of the company's preferred stock. On this issue the 1928 earnings were equivalent to $782 a share, while even in 1930 $531 a share was shown.

The reason for this tremendous margin of safety of course is that there are only 20,000 shares of the preferred stock outstanding and that they have a prior claim on the company's earnings, except for some $25,000,000 in bonds and mortgages. Ahead of the preferred there is more than $55,000,000 in common stock of $10 par value, and on this the company is paying dividends at the rate of $1.60 per share annually.

The preferred stock is a 7% cumulative issue of $100 par value and is entitled to ten votes for each share. While it is somewhat inactive and there is the added objection that it is callable after January 1, 1937, at $100, the issue around the present "bid" price of $101 affords an attractive, well-protected yield. Nothing very much can be expected, however, in the way of price appreciation because of the callable feature.

* * *

Snuff Still Popular

Although many undoubtedly do not know it, the snuff business is one of the steadiest and, for its size, most profitable industries in the country. Snuff consumption over many years has shown a phenomenally steady rise, lacking entirely those mountain peaks which are so frequently guardians of appalling depths in other industries.

As might have been expected from the record, the year 1931 did nothing to upset the even tenor of the snuff companies' business. The United

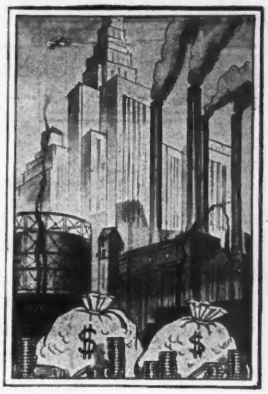
One-Line Analyses of Common Stocks in this Issue from The

Information as of

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS Rate	Payable	Record Date
1	Allied Chemical & Dye	ACD	N	C1	Chemical holding co.	None	2,401,288	No	6.00	q-2/11	1/11
2	Byers, A. M.	ABY	N	C2	Wrought iron pipe	None	262,635	No	....	....	....
3	Colgate-Palmolive-Peet	CPL	N	A1	Soaps and creams	None	1,999,970	No	2.50	q-1/19	1/2
4	Corn Products Refining	CFG	N	C1	Corn products	1,775,000	2,530,000	25	3.00	q-1/20	1/5
5	Hercules Powder	HPC	N	C1	Explosives and chemicals	None	598,000	No	3.00	q-12/24	12/11
6	Houdaille Hershey 'B'	HH	N	C3	Automotive equipment	None	556,571	No	....	....	....
7	Internat. Business Mach.	IMN	N	B1	Office machinery	2,987,000	637,954	No	6.00	q-1/11	12/21
8	Kroger Grocery & Baking	KR	N	B2	Grocery chain	None	1,830,878	No	1.00	q-12/1	11/10
9	New York Central	CN	N	C1	Railroad	670,450,669	4,992,597	100	2/2/	32 div. d	eferred
10	Union Carbide & Carbon	UN	N	B1	Chemicals and specialties	12,758,700	8,813,816	No	2.60	q-1/1	12/2
11	United Gas Improvement	UGI	N	B1	Utility holding co.	243,780,419	22,566,463	No	1.20	q-12/31	11/30

†—On previous capitalization *se*—Year ended Sept. 30 *oc*—Year ended Oct. 31 *de*—Year ended Dec. 31 *je6*—6 mos. ended June 30

The Stockholder



and Income

States Tobacco Co. reported earnings equivalent to $6.20 a common share compared with $5.60 a share for 1930. In the case of the George W. Helme Co. there was a small recession, for $7.78 a share was shown against $8.54 in the previous year. On the other hand, the American Snuff Co. gained a little with a profit for 1931 equivalent to $3.81 a share against $3.76 for 1930.

All of these companies are liberal dividend payers and, although their stocks as a rule do not enjoy a particularly good market, they well deserve further investigation on the part of an individual seeking investment among the exceedingly small number of real "depression-proofs" now left us.

* * *

Factors in Public Utility Strength

At the present time the stock market is discriminating very sharply between various public utility securities. In some cases prices have been remarkably stable in view of general circumstances, while in others there have been almost wide-open breaks which have not been confined solely to the share capitalization but were evident in preferred stocks and bonds as well. Among the important factors contributing to the strength of a public utility company are a well-balanced capitalization and a conservative attitude towards depreciation and maintenance.

A capitalization in which fixed income bearing obligations is less than the stock and surplus of a public utility company is generally considered strong. A list of companies meeting this requirement would include the two Consolidated Gases, New York and Baltimore, North American, Pacific Gas & Electric and Public Service of New Jersey. There are of course many others.

In regard to the question of maintenance and depreciation, if a company writes off 10% or more of its gross revenues for this purpose it is usually considered to have made a conservative charge. All of the above companies meet this requirement with a margin to spare. Indeed, in no case did the latest available figures show a write-off for maintenance and depreciation of less than 12% of gross and in the case of North American and Public Service of New Jersey the amount so charged was around 18%.

Nevertheless, these considerations, although important, are not in themselves sufficient to warrant the purchase of the issues mentioned. There still remains to be considered earnings, growth of territory and the immensely complex question of legislation. The prospective investor must answer them all to his own satisfaction before an actual commitment is justified.

* * *

A Medium Grade Bond

The only bonded indebtedness of the Commercial Investment Trust Corp., whose business is that of financing installment sales both here and abroad, is now less than $24,000,000. It is in the form of 5½% convertible debentures due in 1949. The company's recently issued report for last year shows that fixed charges amounted to $2,138,338 and that earnings available for paying them totaled some $9,693,000. Fixed charges were therefore earned better than 4½ times over for 1931, which compares with about 3 1/5 times for the previous year. This indicates a high margin of safety for the debentures and, while the company's business has naturally suffered in recent years, particularly abroad, never has it fallen to such a level as to endanger interest requirements in the slightest degree. These bonds are currently available around 80 at which price a yield to maturity of more than 7½% is afforded. Such a return would seem over-high in any normal security market despite the fact that the issue cannot be considered gilt-edged.

Magazine of Wall Street's Adjustable Stock Rating Booklet

February 13, 1932

EARNINGS				PRICE RANGE				Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment	
Annual		Interim		1931		1932					
1929	1930	1930	1931	High	Low	High	Low				
12.00	9.77	....	....	182¾	64	77½	62¼	5% 1/31	549	Heavy decline in value of security holdings	1
5.81se	2.79se	2.79se	d1.20se	69¾	10⅞	15⅝	10½	....	549	Pipe mill at only 25% of capacity in 1931	2
4.03	3.76	1.66je6	1.69je6	50½	24	30¼	26⅛	....	549	Dividend earned by good margin in 1931	3
5.75	4.86	3.50se9	2.47se9	86⅝	36¼	45⅜	37	....	561	Net for 1931 may approximate $3.35 a share	4
5.95	2.61	2.61de	1.04de	58	26	26½	25	....	559	Net smaller but company strong financially	5
4.64	d1.07	0.21je6	0.51je6	9¾	2½	3¼	2½	....	560	Earnings still low but cash position strong	6
11.04	11.53	8.58se9	8.40se9	179¾	92	108½	90⅜	5% 1/32	560	Large depression earnings significant factor	7
†3.38	1.15	0.12je6	1.25je6	35½	12½	15½	12¾	5% 1930	562	Moderate increase in net likely for 1931 report	8
16.88	7.21	6.39se9	0.95se9	132¼	27⅞	36⅝	24½	....	560	Short term finan. problems appear eliminated	9
3.94	3.12	2.22se9	1.54se9	72½	27⅛	34½	27¼	....	562	Net down; strong company; good outlook	10
1.46	1.54	1.52oc	1.48oc	37½	15⅜	20⅜	17¼	....	532	Earnings stable and exceed dividend needs	11

se9—9 mos. ended Sept. 30 d—Deficit

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

What of the Public Payroll?

A Defense of Present Standards—Views of Other Readers on Problems of Depression

Editor, Readers' Forum:

As a regular reader of your magazine, usually veracious, I am surprised at the appearance in your January 23 issue, page 382, of an article entitled, "A Privileged Group," because it is only half the truth and therefore misleading.

I happen to be numbered among this "privileged group" so I am in a position to discern between those whom you refer to as overpaid and those who are and have been underpaid for many years. The majority of your readers, however, are not in such a discerning position so I am moved to criticize you. Such an unqualified attack as yours can only lead to a blanket indictment of all public employees.

I will illustrate my point with an example. Officers of the Navy have not had an increase in pay rates since 1908, duration-of-the-War period excluded. Your statistical experts could no doubt find others in Federal, state and municipal employ in the same boat.

Now that the fun is over and the bill has come home for all the mistakes made by the "Bigshots" these past years I venture to suggest that you give the long suffering a chance by refraining from publishing misleading articles in your magazine.

Yours for justice.

C. R. LANDIN.

Your letter expresses a point of view which we understand and with which we can sympathize, but we believe it scarcely answers the economic arguments which call for a substantial reduction of governmental payrolls, Federal, state and local. It may be, as you assert, that naval officers are underpaid. No doubt similar claims could be plausibly argued by other groups of public employees. Such claims are certainly entitled to a full and fair hearing, but if the decision rested merely upon what every public employee thinks he should have there would be, obviously, no reductions. The problem is not a matter of ethics but of economics. Anyone who is now receiving the same dollar income that he received in 1929 has the benefit of an increase in purchasing power, since it is an undeniable fact that the cost of living has declined. The American people as a whole have been forced to readjust their expenditures in line with a terrific shrinkage in the national income, which promises to be hardly more than 50 billion dollars this year, in comparison with 84 billions in 1929. On the present basis, accepting Senator Borah's recent estimate that the aggregate public payroll amounts to 6 billion dollars annually, about one dollar out of every eight earned by the American public would go for governmental salaries. With the exception of public employees, every group of the population has accepted heavy sacrifices, with the hope that they will prove temporary, as they undoubtedly will. We fail to see any valid reason why those supported on the public payroll should not accept a proportionate sacrifice.

Should We Save or Spend?

Editor, Readers' Forum:

I have just read your issue of January 9th. The logical perspicacity of your arguments has a gratifying appeal that would be incontrovertible but for one thing.

What is this country going to do with the eight millions unemployed, and, the unnumbered millions who are shaking in their shoes for fear of losing their jobs?

You say truly, "Europe can throw a violent fit and then sit down and solve their problems in terms of profit and loss, but if we felt aggrieved and as desperate, we would mean what we said, if we threatened revolution at home. In fact we would have got into action long ago."

Is it not a fact, we are being flooded day by day, with a subtle advertising, for which there is no parallel in the writer's observation of more than sixty years? A propaganda coming from all directions well calculated to overthrow all respect for our existing government and its institutions, and a propaganda that is absorbed hour by hour, by overwhelming millions of voters already unbalanced by fear? The stage is set, and all that is lacking is leadership, and, without doubt, there are many among these disinherited Americans whose latent capabilities for leadership equal those of men like Washington, Jefferson, Lincoln, Roosevelt, and others.

Is it not therefore wisdom on our part to counteract the danger of having our economic system destroyed, or at least, so disrupted by a débacle from which we could not recover for a generation, if ever?

A plan like that of Senator La Follette's, properly authorized would change national fear into hope, and while it was being worked out we might find general conditions improving.

Is there not boundless discontent festering on a national scale, that is more ominous than any outside foe could ever be? Against whom, if necessary, we would vote twenty to thirty billions for national defense. Then why not risk 5½ billions on a plan that seems to have the endorsement of many leading political economists of note? And which would be spent in

permanent and very necessary improvements all over the land?—J. H. Parsons.

Your letter impresses us as being unduly pessimistic. This is a tremendous depression but there have been others and this country has always come through them without quack remedies. A very good argument can be made out for the theory that depression invariably sets up its own cure, as a result of the basic readjustments which it forces upon us. On the other hand there is no historic support for such artificial remedies as Senator La Follette's proposed 5 billion-dollar bond issue for public works. Even if this vast sum could be raised, by an equivalent increase in the public debt, we doubt that it would lift us by our bootstraps. It is useless to attempt to avoid a complete economic readjustment. The purpose of the Reconstruction Corporation is not to prevent it but merely to soften its effects, which we believe to be sound policy. Since we have already gone through the major part of deflation without anything remotely approaching a collapse of our economic structure, what reason is there to lose faith now? We can carry the burden for the rest of the journey, as we always have before. Certainly there is some public discontent, but it may be expected to express itself, as it properly should, at the polls. The depression thus far has been remarkable, and totally unlike all others of the past, for the absence of strikes, labor disturbances and industrial disorders of any kind.

Governmental Expenditures

Editor, Readers' Forum:

Economic sanity should tell us the only way to get the Federal treasury back to a balanced budget is to cut out costly nostrums of every kind, before talking about tax increases.

The big taxpayers have been most severely hit. They hold literally billions of dollars of sour securities, foreign and domestic. Their incomes have been cut down and their capital has dwindled. Diminished, not increased taxes will be available from that source.

A high tariff is anathema to a creditor nation. Consequently, increased tax revenues will not come from that source.

Thus for government to collect huge taxes in order to go on supporting the multitude of extravagant activities, it would be compelled to impose taxes on purchases and activities of the masses of the people, who are now suffering from unemployment.

Should we not all join in protest against extravagant expenditures by government, as a first step toward budget balancing?

The Federal Farm Board would be a mighty good place to begin.—Walter Parker.

We agree with you that extravagant governmental expenditures must be curbed as the first step in a sound program of budget reform. Fortunately, we believe it is apparent that our political leaders are now beginning to see the light, although decisive remedial action is regrettably slow and still awaits the spur of a more thoroughly aroused public opinion. It is impossible, of course, to avoid substantial increases in taxation but this should go hand in hand with a proportionate reduction of governmental costs, which, as brought out in an article in the preceding issue of this publication, now absorb so large a share of the national income as to retarded business recovery and probably deepen depression.

Free Trade and the Farmer

Editor, Readers' Forum:

*I note in your issue of January 9th on page 318, under the heading of "No Free Trade For Us" you state "When the dominant classes of Britain elected a free trade policy, they deliberately sacrificed the agricultural interests * * *."*

This newspaper's readers are all mountain farmers.

Having failed so far to see any benefits that we get off-setting the advantage of a protective tariff, I wondered why you put the statement in like an axiom that needs no proof, and, if not, if you would be good enough, for the benefit of Bath County, Virginia, to let me know just what you do have in mind.—A. S. Ingalls, *President, Bath County Enterprise.*

We are glad to undertake an explanation of the statement you inquire about in your welcome letter.

At the time England abandoned protectionism the country was no longer producing grain enough to feed itself. This was quite satisfactory to the landed gentry who had controlled British policy previous to the rise of the industrialists. There was a stiff tariff on wheat, which under the circumstances stated was obviously of great protective value. The industrialists wanted free wheat in order to get cheap food, and, consequently, low wages. Thus, when they dominated, they did deliberately sacrifice the farmer by opening the doors to all the wheat of the world, at prices with which the domestic farmer could not compete.

The situation is the reverse with us in respect to wheat and cotton, for we have surpluses above domestic consumption of both staples. Consequently no amount of protection benefits them. On the other hand, we believe that the tariff does help the prices, at times at least, of such products as butter and eggs. If the United States were short of all agricultural products a tariff would manifestly raise their prices. But so long as our farmers have surpluses that they must sell abroad, tariffs on them have no protection

(Please turn to page 562)

Usual Spring Improvement Slow to Materialize

Sugar

Further Overproduction Probable

THE recommendation of the Sugar Institute that the Cuban crop should be limited to 3,061,000 tons has been the cause of considerable pessimism. Of this total, 2,800,000 tons are scheduled for shipment to the United States. The National Sugar Export Corporation, a power in the sugar industry, had previously agreed to request President Machado to fix the crop at 2,300,000 tons, that amount having been deemed necessary to prevent an unmarketable surplus in the coming crop year. The Java crop has been set tentatively at 1,470,000 tons, and Far East producers have refused vigorously any move towards further production cuts. The recent sugar conference at Paris recommended

(*Please turn to page 567*)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931-32 High	Low	Last*
Steel (1)	$0.01¾	$0.01⅝	$0.01⅝
Steel (2)	0.01¾	0.01½	0.01½
Pig Iron (3)	17.00	15.00	15.25
Copper (4)	0.10½	0.06	0.06¼
Lead (5)	0.05½	0.03¾	0.03¾
Petroleum (6)	0.81	0.14	0.69
Coal (7)	1.60	1.30	1.35
Cotton (8)	0.11	0.05¾	0.06¾
Wheat (9)	0.90	0.36½	0.68
Corn (10)	0.68½	0.32½	0.36
Hogs (11)	25.00	7.50	8.75
Steers (12)	17.00	9.00	12.00
Coffee (13)	0.10	0.07¾	0.09¼
Rubber (14)	0.08⅝	0.04	0.04⅛
Wool (15)	0.78	0.57	0.58
Sugar (16)	0.03½	0.02⅞	0.02⅞
Paper (17)	62.00	53.00	53.00
Lumber (18)	17.67	13.59	14.06

* Feb. 13, 1932.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan. City), $ per bu. (10) No. 3 Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.), $ per lb. (13) Santos, No. 4 (N. Y.), c. per lb. (14) Smoked Sheets (N. Y.) cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban, raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f.o.b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Ingot output has remained unchanged at 28% of capacity during the past few weeks. Demand has slackened and present activity is only in anticipation of new rail orders. The smaller bookings of the automobile industry have been especially pronounced and structural steel orders have been the lowest in history.

COPPER—The ineffectiveness of recently initiated curtailment measures by the world's leading copper producers has resulted in marked weakening of copper prices. Domestic copper is freely offered at 6 cents a pound and export c.i.f. delivery is nominally 6⅜ cents. Refusal to publish statistics has undermined market sentiment.

PETROLEUM—The trend of crude oil production has been downwards during the past several weeks but refiners have not curbed runs to stills. The augmented gasoline output has combined with lower demand to raise gasoline stocks yet higher. Already the export prices of gasoline have weakened. Domestic gasoline prices, however, are being held firm, but operating profits remain low.

WHEAT—Fears expressed of injury on account of recent cold weather appear groundless in the light of the latest Government condition report for winter wheat. From present indications a normal crop appears likely. World visible stocks are 472 million bushels, whereas a year ago only 453 million bushels were on hand. The American exportable surplus is 19% greater than last year. The lower Liverpool prices may presage a drop in Chicago futures.

CORN—Large supplies left over from one of the greatest corn crops in history have weighed heavily upon the market and March futures at Chicago have declined to new low ground. Far less grain of all sorts has been used as cattle feed in recent months than had been judged by private estimators according to the latest official report. Cereal and corn product firms are unlikely to suffer inventory losses, however, because their operations are hedged for protection.

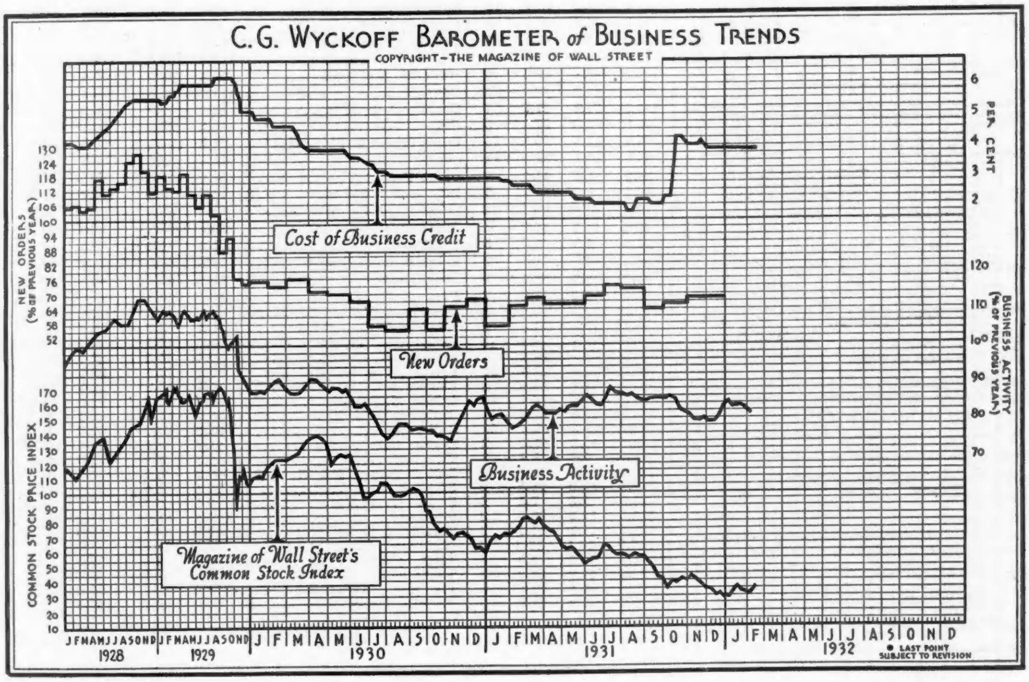
SUGAR—From latest indications Cuba intends to plant sufficient acreage to make about 3,061,000 long tons of cane sugar this year. Reports from Java display unwillingness to grow less than 1,470,000 long tons in the current season. Supplies from these two large producers may therefore equal 4,531,000 tons, far in excess of present world demand. The large prospective supplies, added to the burdensome carryover, have broken sugar prices to all-time lows.

SILK—The silk market has been beset by the uncertainties of foreign exchange. Normally, at a par of about 50 cents, the yen has receded to 35 cents, making exports of silk from Japan to the United States advantageous. As a result, prices on the New York Silk Exchange have declined to new lows. May futures now being quoted at $1.68 a pound. Trading, however, has been light.

WOOL—Demand for wool has improved within the past few months and imports of carpet wool have been increasing. Rug firms report unusually good activity on a lower price level, and as costs have been cut correspondingly, profits are well sustained. The woolen clothing business remains poor, however, the industry suffering from low profit margins and deficits predominate.

Taking the Pulse of Business

Improvement Not Yet Evident



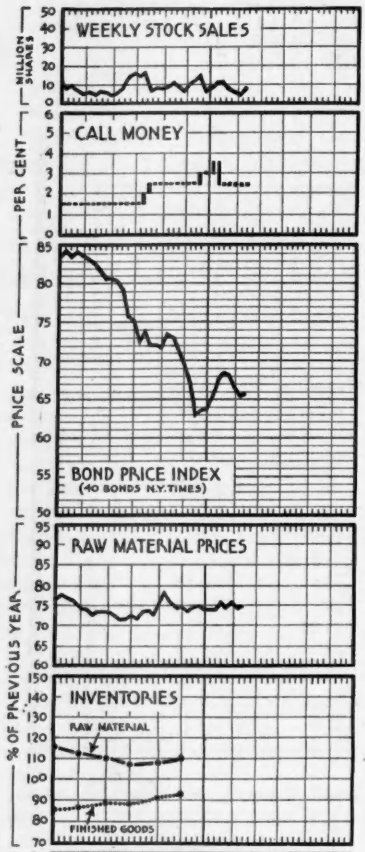
WE are now well enough advanced in the new year to perceive quite clearly that, while the Cost of Business Credit has already been stabilized at a satisfactory level and adequate steps are being taken to protect the banking situation and fortify the railroads against the ravaging effects of two years of drastic deflation, the time has now arrived for the adoption also of vigorous measures to correct the more basic dislocation in industry proper which are in themselves primarily responsible for world-wide monetary disturbances. The urgent need for this is brought out pointedly by recent behavior of the lower curves of our Barometer, which show no slackening as yet in the rate at which the volume of production and trade has been receding since 1929. The crux of the difficulty is persistent oversupply of basic commodities, as measured by the practical standard of current consumption. Until producers the world over can agree, or be forced through exhaustion of working capital, to stop piling up excessive stocks of cotton, wheat, sugar, coffee, copper, silver, lead, rubber, hides, silk, and oil, it is difficult to envisage any lasting check to the vicious circle of declining commodity prices, liquidation of securities, wage reductions, credit contraction, dividend reductions, interest defaults, and debt repudiation. The mad determination to plant and to mine as usual has already needlessly prolonged the depression, and it is high time now to call a halt.

The necessity for prompt and aggressive action along these lines is emphasized by the latest addition to our New Orders graph, which reveals no improvement over the meagre bookings of the preceding month. Similar evidence that current consumption is being cautiously limited to immediate necessities may be inferred from the slow, but steady sag in our Business Activity Index since the first of the year. Curtailment reported during the past fortnight at steel and automobile plants, though moderate in amount, has been especially disappointing coming as it does at a season when steady improvement in these leading industries is normally to be expected It is possible, however, that the new Ford operations will prove a stimulating influence.

Strength in commodity and security markets, however, cannot be attributed to such hopes but arises from the expected results of the proposed Federal Reserve legislation, which undeniably carries great potency for business improvement—if it is properly controlled.

The Magazine of Wall Street's Indicators

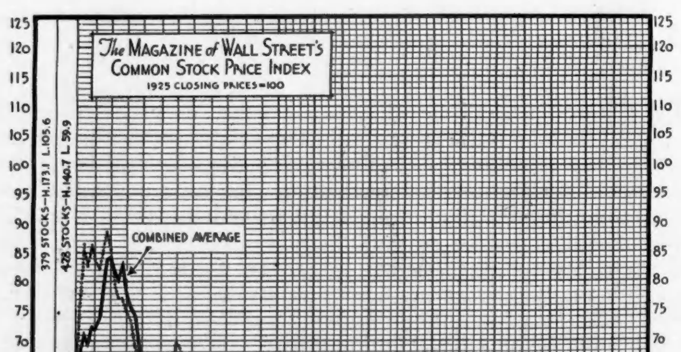
Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues	Group	1932 Indexes High	1932 Indexes Low	Jan. 30	Feb. 6	Feb. 13
84.4	29.2	30.0	345	COMBINED AVERAGE	36.4	29.3	32.6	31.6	35.3
142.4	33.0	34.8	4	Agricultural Implements ...	48.3	34.3	39.0	35.7	38.3
121.2	19.7	21.2	7	Amusements	43.0	20.7	36.0	38.0	41.6
76.9	23.9	23.9	21	Automobiles Accessories	27.8	23.6	24.8	24.6	26.1
37.0	12.1	13.1	16	Automobiles	14.4	12.1	13.0	12.1	13.3
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)	34.6	26.8	33.8	32.4	34.6
38.4	8.3	9.7	3	Baking (1926 Cl.—100)	11.7	9.3	9.3	10.0	10.8
212.8	112.5	112.5	2	Biscuit	126.2	110.6	114.6	111.0	126.2
162.2	48.1	49.5	5	Business Machines	59.5	48.9	50.4	49.1	55.8
188.5	96.5	99.3	2	Cans	111.2	96.5	100.1	96.9	111.2
157.8	76.2	81.6	7	Chemicals & Dyes	88.0	79.0	76.2	76.3	88.0
71.8	20.8	21.4	3	Coal	26.7	20.4	20.6	22.2	23.6
73.7	18.9	19.5	19	Construction & Bldg. Mat....	24.6	19.1	20.9	20.4	22.7
92.4	30.1	30.2	11	Copper	36.7	29.8	32.9	31.2	32.7
98.0	45.8	47.2	2	Dairy Products	52.6	45.8	46.4	46.7	52.6
30.2	9.6	10.1	9	Department Stores	14.8	9.6	12.0	11.2	12.5
120.4	52.0	53.1	8	Drugs & Toilet Articles.....	62.2	52.0	55.7	55.7	62.2
149.3	44.7	46.9	5	Electric Apparatus	55.1	45.4	47.6	47.3	55.1
21.5	4.3	4.6	3	Fertilizers	5.5	4.4	4.4	4.5	5.0
91.3	40.8	41.7	2	Finance Companies	53.3	39.0	45.1	44.2	53.3
80.1	43.7	45.3	7	Food Brands	49.6	44.2	45.1	45.3	49.6
83.0	44.4	45.0	3	Food Stores	49.1	43.7	44.5	43.8	49.1
51.7	21.7	21.8	3	Furniture & Floor Covering..	35.8	21.0	34.2	31.8	35.0
45.5	16.6	17.0	5	Household Equipment	21.0	16.7	19.2	19.5	21.0
89.5	17.1	19.1	10	Investment Trusts	25.6	18.1	20.4	20.6	25.6
96.3	26.1	26.1	3	Mail Order	27.4	21.3	22.0	21.3*	25.4
69.2	22.3	23.4	31	Petroleum & Natural Gas...	27.9	23.4	25.4	25.0	27.1
68.8	12.7	13.0	4	Phonos. & Radio (1927—100).	17.5	13.0	14.5	14.4	16.6
196.8	77.0	78.1	20	Public Utilities	86.1	76.3	76.9	76.3*	86.1
73.1	20.6	21.2	10	Railroad Equipment	26.9	20.8	24.1	22.7	26.2
88.4	22.5	22.5	30	Railroads	31.3	22.0	29.2	25.9	30.5
100.7	41.8	41.8	3	Restaurants	41.8	35.1	35.9	35.1*	39.4
38.0	8.8	8.8	3	Shipping	14.3	8.8	14.3	11.9	12.4
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.2	76.9	83.4	76.9*	89.2
92.3	25.3	25.8	9	Steel & Iron	30.1	24.9	24.9*	25.1	30.1
16.9	7.3	7.3	5	Sugar	9.4	6.3	7.3	6.3*	8.0
218.0	84.2	89.5	2	Sulphur	100.9	87.2	92.2	91.1	100.9
132.4	44.5	44.5	3	Telephone & Telegraph......	53.4	41.8	43.8	43.2	53.4
46.0	16.1	18.2	5	Textiles	21.8	18.2	21.0	19.1	21.8
15.8	4.4	4.9	5	Tires & Rubber	5.9	4.5	5.2	4.5	5.9
78.6	47.0	48.3	5	Tobacco	60.9	48.3	56.6	55.7	60.9
86.1	26.1	26.1	4	Traction	41.0	25.5	34.0	35.4	41.0
82.0	44.5	44.9	2	Variety Stores	50.9	43.8	46.9	45.2	50.9

* New low record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

ALLIED CHEMICAL & DYE CORP.

Is Allied Chemical really earning its dividends and, if so, can the company go on doing this? I would appreciate a prompt answer, together with any other timely information which will help me decide whether to retain my 300 shares.—E. M. D., Memphis, Tenn.

Allied Chemical & Dye Corp. ranks as the leading unit in the chemical industry, by virtue of a consolidation of several prominent chemical producers, effected in 1920. The company manufactures heavy industrial chemicals, commercial acids, etc., roofing, road-building materials, dyes and nitrates, and through a subsidiary is engaged in the manufacture of coke and its by-products, and the building of coke ovens and gas plants. With the exception of 1924, annual increases in earnings have been registered by the company since its inception, up to and including 1929. During 1930, profits declined to $9.77 a common share, from those of $12.60 reported in the preceding year. Operations during 1931 were restricted by reduced consumer demand, price cutting and increased competition, as well as reduced dividend income from security investments. Although last year's returns are likely to prove rather disappointing in comparison with those of 1930, current annual dividend requirements of $6 a share are believed to have been covered. The strong financial position reported by the company at the close of 1930 no doubt has been maintained. At that time, the ratio of current assets to current liabilities was 17.5 to 1, while cash and equivalent aggregated $113,320,484. Obviously, in view of the many uncertainties confronting business and industry generally, a forecast of 1932 prospects cannot be made with any degree of accuracy. However, the chemical industry, as a whole, is ideally situated to reflect any improvement in conditions and material benefits should accrue to Allied Chemical when and as a turn for the better is in evidence. Although quotations for Allied Chemical common are likely to remain somewhat retarded during the immediate future, in reflection of general market unsettlement strong elements in the situation warrant retention of long term commitments.

A. M. BYERS CO.

I have been considering the purchase of A. M. Byers common as a speculation. Before taking definite action, however, I would like to have a report on the company, and your opinion of the stock.—L. H. M., Newark, N. J.

A. M. Byers Co. reported net income for the fiscal year ended September 30, 1931, of $81,587 in contrast with $1,133,837 for the preceding fiscal year. After allowing for preferred dividends, a deficit of $315,621 was incurred in the later period, as compared with profits equivalent to $2.74 a share on the common stock, a year earlier. The precipitous decline in earnings is attributed to sharply curtailed consumer demand for wrought iron pipe, which has its principal use in the transportation of water, gas and oil. Despite the lower production costs of wrought iron pipe through the Aston process, the high prices for this product as compared with those for steel piping, of necessity have precluded its more general use. However, some weakness in prices for wrought iron pipe has been in evidence during more recent weeks, which may stimulate new business for A. M. Byers Co., but at the same time, reducing profits on sales. Operations of the company are believed to be running at the rate of 25% of capacity, thus indicating a further loss for the six months ending March 31, next. Although the company enjoys a strong financial position, we question the wisdom of continuing preferred dividend distributions, in the face of unprofitable operations, and rather unpromising prospects over the medium term, at least. Thus, we see little incentive for purchasing the common stock at this writing, believing that there are more promising opportunities existing elsewhere in the market.

COLGATE-PALMOLIVE-PEET CO.

What is the latest news concerning Colgate-Palmolive-Peet? I am trying to decide whether to switch my 300 shares of this into some other stock or to keep it on my list.—A. M. L., Houston, Texas.

Colgate-Palmolive-Peet Co., an enterprise representing a merger of old established manufacturers of soaps, washing powder, dental and shaving creams, toilet preparations and perfumes, has maintained its earning power at relatively stable levels over the past two years in spite of adverse general business conditions. In the first half of 1931, earnings were equal to $1.69 a common share compared with $1.66 a common share in the corresponding

(Please turn to page 559)

When Quick Service is Required Send Us Prepaid Telegram and Instruct Us to Reply Collect

New York Stock Exchange

RAILS

	1930		1931		1932		Last Sale	Div'd
	High	Low	High	Low	High	Low	2/10/32	$ Per Share
A								
Atchison	242½	168	203⅜	79¼	94	71	72⅜	6
Do Pfd.	108¾	100	108¼	75	86	76½	†80	5
Atlantic Coast Line	175½	95¼	120	25	41½	25¼	28	4
B								
Baltimore & Ohio	122⅜	55⅝	87⅞	14	21⅜	12¾	15¼	..
Bangor & Aroostook	84½	50⅛	66¾	18	24½	18¼	19	3½
Brooklyn-Manhattan Transit	78⅜	55⅛	69⅝	31⅛	41⅜	30½	38⅞	4
Do Pfd.	98¾	83	94¼	63	75	68	†70	6
C								
Canadian Pacific	52¼	35¼	45⅝	10¾	16	10⅞	13⅞	1¼
Chesapeake & Ohio	51⅜	32⅝	46½	23⅜	31⅛	21⅛	21⅞	2½
C. M. & St. Paul & Pacific	26⅜	4¼	8⅞	1½	3¼	1¾	2¼	..
Do Pfd.	46¼	7⅜	15⅜	2½	5¼	2¾	4	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	6	8¼	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	8½	10½	..
D								
Delaware & Hudson	181	130⅛	157¼	64	83½	65½	70	9
Delaware, Lack. & Western	153	69½	102	17¾	28¾	17⅜	18⅝	..
E								
Erie R. R.	63¾	22⅛	39¾	5	10	5¼	7¼	..
Do 1st Pfd.	67⅜	27	45½	6⅜	13½	7¾	8½	..
Do 2nd Pfd.	62½	26	40½	5	9½	6½	7	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	16⅛	17½	2
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	30¾	26⅞	26⅞	3½
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	9½	11⅜	..
Interborough Rapid Transit	39½	20⅝	34	4⅝	11⅜	5⅛	10	..
K								
Kansas City Southern	85⅜	34	45	6⅞	13¼	8½	10	..
Do Pfd.	70	53	64	15	23¾	18	20	4
L								
Lehigh Valley	84⅞	40	61	8	18	10	12	..
Louisville & Nashville	138½	84	111	20¼	32⅜	21	22	4
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	4⅛	5⅜	..
Do Pfd.	108⅜	60	85	10½	21⅞	11¾	15	..
Missouri Pacific	98½	20⅝	42¾	6⅝	11	5¾	7⅝	..
Do Pfd.	145½	79	107	12	26	12	16¾	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	24½	25¼	..
N. Y., Chic. & St. Louis	144	73	88	2½	9⅛	4	5⅝	..
N. Y., N. H. & Hartford	128⅛	67⅞	94⅞	17	31⅝	17⅝	22½	..
Norfolk & Western	265	181½	217	105⅝	131	111	117½	*12
Northern Pacific	97	42⅜	60⅞	14⅛	23¼	14⅝	17¾	3
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	17⅛	18⅞	2
Pittsburgh & W. Va.	121¾	48½	86	11	15	10	12	..
R								
Reading	141⅛	73	97½	30	42	29⅛	29⅛	2
Do 1st Pfd.	50½	44⅛	46	28	33	27⅜	†27	2
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅝	3	3⅞	..
Southern Pacific	127	88	109½	26½	37⅝	25⅛	28½	4
Southern Railway	136¾	46½	65⅞	6⅜	13	7½	9	..
Do Pfd.	101	76	83	10	20½	11	12¼	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	86⅞	65	69⅜	10
Do Pfd.	88⅝	82¼	87	51	68	62	63	4
W								
Western Maryland	36	10	19⅝	5	7¾	4⅞	5¾	..
Western Pacific	30½	7½	14⅞	1¾	4	2¼	†2¾	..
Do Pfd.	53½	23	31⅝	3	6⅝	3¾	4½	..

INDUSTRIALS AND MISCELLANEOUS

	1930		1931		1932		Last Sale	Div'd
	High	Low	High	Low	High	Low	2/10/32	$ Per Share
A								
Adams Express	37⅞	14¼	23½	3⅛	5¾	3⅜	4⅛	..
Air Reduction, Inc.	156⅝	87½	109¾	47⅝	55¾	46	47¼	*4½
Allegheny Corp.	35¼	5¾	12¾	1⅛	3⅛	1¼	2⅛	..
Allied Chemical & Dye	343	170¼	182¾	64	74⅜	62¼	63⅛	6
Allis Chalmers Mfg.	68	31¼	42¾	10⅛	13⅝	10⅛	11⅛	.50
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	15½	12	12	1.60
American Can	156½	104⅝	129¾	58⅛	65⅞	54⅛	57	*5
Amer. Car & Fdy	82½	24⅛	38¾	4⅛	8½	6¼	7	..
Amer. & Foreign Power	101¾	25	51¾	6⅛	9¼	6¼	6½	..
American Ice	41⅞	24⅛	31⅝	10½	17½	12	14	2
Amer. International Corp	55¾	16	26	5	7	5	5	..
Amer. Mchy. & Fdry	45	29¾	43¾	16	22¼	17⅛	19¾	1.40
Amer. Power & Light	119⅝	36⅛	64⅞	11⅝	16⅞	13	13½	1
Amer. Radiator & S. S.	39¾	15	21½	5	8⅛	6	6⅛	.40
Amer. Rolling Mill	100⅞	28	37⅜	7⅝	10⅛	7⅝	8⅝	..
Amer. Smelting & Refining	79⅛	37⅛	58⅛	7½	18⅝	12⅜	13⅛	.50
Amer. Steel Foundries	52¼	23½	31¼	5	8⅜	5⅜	6½	..
American Stores	55½	36⅛	48¼	33	35¼	33¼	34⅝	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	21⅛	22	4
Amer. Tel. & Tel.	274¼	170⅜	201¾	112⅛	124⅞	107¾	111⅛	9
Amer. Tobacco Com.	127	98⅛	128¾	60⅛	77¾	65	69¼	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	32½	24⅝	25¾	3
Anaconda Copper Mining	81½	25	43¼	9⅛	12⅜	8⅜	8⅞	..
Assoc. Dry Goods	50½	19	29⅝	5⅝	8¼	5½	5⅞	..

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 2/10/32	Div'd $ Per Share
A								
Atlantic Refining	51⅛	16⅝	23⅝	8⅝	10¾	8⅝	8⅞	1
Auburn Auto	263¾	60⅝	295½	84½	151¾	91½	94	4
B								
Baldwin Loco. Works	38	19¾	27⅞	4⅝	8½	4⅞	6½	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	5⅞	4	4½	..
Beech-Nut Packing	70⅛	46¾	62	37½	43	40	†39¼	3
Bendix Aviation	57⅜	14¼	25⅛	12⅝	18¾	15	15¾	1
Best & Co.	56¼	30⅜	46¼	19¾	24¼	19½	20	2
Bethlehem Steel Corp.	110¼	47⅜	70⅜	17¼	22⅞	15⅛	16¾	..
Bohn Aluminum	69	15¾	43	15½	22¼	17	†16	2½
Borden Company	90⅜	60⅛	76½	35⅛	39¾	34¾	35⅝	3
Borg Warner	50½	15	30¾	9	12¼	9	9¾	1
Briggs Mfg.	25⅜	12⅛	22¾	7½	10	7⅞	8	1
Burroughs Adding Mach.	51⅞	18⅜	32¼	10	12¾	9⅞	10⅜	.80
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	15⅝	10½	12	..
C								
California Packing	77½	41¼	53	8	10½	8⅛	10	..
Calumet & Hecla	33⅜	7¾	11⅜	3	4	3	3⅛	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅝	13½	10	11	1.20
Case, J. I.	362¾	83½	131½	33¼	43⅜	26⅛	26⅝	..
Caterpillar Tractor	79¾	22	52½	10¼	15	10⅞	11⅜	1
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	9¾	10¼	1
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20⅝	13	14	3
Childs Co.	67⅝	22⅞	33¾	5⅛	7½	5	5½	..
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	10⅛	10¾	1
Coca-Cola Co.	191⅜	133¼	170	97½	114½	97½	102	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	30¼	26⅛	28¼	2½
Columbian Carbon	199	65⅛	111⅝	32	38½	28	28⅛	3
Colum. Gas & Elec.	87	30⅝	45⅝	11⅝	15¼	11⅞	12¼	1⅛
Commercial Credit	40¾	15⅛	23¼	8	10¼	8⅛	8¾	1.60
Commercial Solvents	38	14	21½	6⅝	9½	7¼	7⅝	1
Commonwealth & Southern	20½	7½	12	3	4⅞	3⅛	4	.30
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	64¾	54⅛	54⅛	4
Continental Baking Cl. A	52½	16¾	30	4½	7	4⅞	4⅞	..
Continental Can, Inc.	71⅝	43½	62¾	30¼	37⅛	31¾	34⅜	2½
Continental Oil	30½	7¾	12	5	6⅞	5⅝	5⅝	..
Corn Products Refining	111⅜	65	86⅝	36¼	45⅜	37	39⅞	3
Crucible Steel of Amer.	93⅝	50⅛	63	20	23¼	16	†15½	..
Cudahy Packing	48	38⅛	48⅞	29	33½	30	31	4
Curtis Publishing	126⅛	85	100	20	31	22	†21	2
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	1¼	1⅜	..
D								
Davison Chemical	43⅝	10	23	3½	5¼	3½	3⅝	..
Diamond Match	24⅞	10	23	10⅝	14¼	12½	13¾	1
Dominion Stores	30⅝	12	24	11	15½	13	14¾	*1½
Drug, Inc.	87⅜	57⅝	78¾	42¾	55	47⅝	48½	4
Du Pont de Nemours	145¼	80½	107	50¾	57⅞	46⅛	46¾	4
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	68½	69½	5
Eaton Axle & Spring	37¼	11⅝	21⅞	5⅜	7⅜	4¾	5½	.50
Electric Auto Lite	114⅞	33	74⅜	20	31½	23¾	24	4
Elec. Power & Light	108⅛	34⅜	60¾	9	13½	10⅛	11⅜	1
Elec. Storage Battery	79¼	47½	66	23	32	25½	30	4
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	33	25½	29⅞	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	15	12	12	1
First National Stores	61⅜	33⅝	63	41	49⅜	41½	43½	2½
Foster Wheeler	104½	37½	64½	8	11¼	8	8¾	..
Fox Film Cl. A	57⅜	16⅛	38⅜	2½	5⅜	2¾	3¼	..
Freeport Texas Co.	55½	24⅛	43¼	13¼	19½	15¼	16½	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	33½	28	29	4
General Asphalt	71⅛	22⅜	47	9⅝	15½	11	11½	1
General Electric	95⅜	41½	54¾	22⅞	26⅛	17¾	17⅞	1.60
General Foods	61¼	44⅜	56	28¼	36¾	31⅝	32½	3
General Mills	59⅛	40⅛	50	29⅛	36	31⅞	†35	3
General Motors Corp.	54¼	31⅛	48	21⅜	24⅝	19½	20⅛	2
General Railway Signal	106⅞	56	84⅛	21	28⅝	19¾	21	5
Gillette Safety Razor	106⅛	18	38¾	9¼	14½	10⅜	14	..
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅜	16	16¾	2½
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	3⅞	4	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	17¼	12⅞	13¼	1
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	7¾	5½	6⅛	.50
Grand Union	20⅝	10	18⅞	7	8⅞	6⅝	†7⅝	..
Great Western Sugar	34½	7	11⅞	5¾	6½	5	5⅜	..
Gulf States Steel	80	15	37½	4	7	5½	†6	..
H								
Hershey Chocolate	109	70	103¾	68	82	73½	74½	6
Houston Oil of Texas (New)	116⅞‡	29¼‡	14	3	4⅞	3⅛	3⅜	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	7⅞	8	1
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	3¾	3⅞	..
I								
Inter. Business Machines	197⅛	131	179¾	92	108½	90⅜	93⅛	6
Inter. Cement	75⅜	49½	62½	16	18¾	14¾	15⅛	3
Inter. Harvester	115¾	45¼	60½	22⅝	29¾	21⅜	22	2½
Int. Match Pfd.	92	52¼	73¼	11	24⅜	15¾	20	4
Inter. Nickel	44⅜	12¾	20⅛	7	9⅛	7⅛	7⅛	.20
Inter. Tel. & Tel.	77⅜	17⅛	38¾	7⅛	10⅞	7½	8⅝	.60
J								
Jewel Tea	66½	37	57½	24	33⅞	30	†31	4
Johns-Manville	148⅜	48¾	80¾	15⅝	24¼	15⅞	17⅞	1
K								
Kelvinator	26⅝	7⅜	15½	6	9⅛	7	8	..
Kennecott Copper	62¾	20⅛	31½	9⅝	13	9⅝	9⅞	.50
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	15⅛	15⅛	1.60
Kreuger & Toll	35⅜	20⅜	27¾	4¼	9⅛	4¾	7¼	1.61
Kroger Grocery & Baking	48⅛	17⅛	35⅛	12⅛	15½	12¾	12⅞	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	44¼	45⅛	8
Lehn & Fink	36	21	34¾	18⅛	23	19⅝	20⅞	3
Liggett & Myers Tob. B	114⅜	78¼	91¾	40	58½	45⅜	53	*5
Liquid Carbonic	81⅞	29	55⅛	12⅛	18	14½	16	2

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	2/10/32	Share
L								
Loew's Inc.	95¾	41¾	63½	23⅞	31⅜	23¼	26	*4
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	35	29⅞	30⅛	*3
Lorillard	28⅛	8¾	21⅞	10	15	12	13	1.20
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	17	12¼	12¾	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	47	47¾	3
Magma Copper	52½	19¼	27⅜	7¼	8¾	6⅞	7	.50
Marine Midland	32½	17¾	24¼	9¼	12¼	9½	10⅛	1.20
Mathieson Alkali	51⅜	30⅛	31⅛	12	16⅝	13¼	15	2
May Dept. Stores	61⅜	27¾	39	15⅝	20	16	17⅛	1.60
McKeesport Tin Plate	89½	61	103½	38½	53½	43	46⅜	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	10⅜	6⅞	7⅜	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19⅛	15	15⅛	2
National Biscuit	93	68⅝	83¾	36⅜	44⅝	37⅛	38	2.80
National Cash Register A	83⅛	27⅝	39¾	7⅛	11¼	7¼	†8⅛	..
National Dairy Prod	62	35	50¾	20	26⅛	21	23	2.60
National Power & Light	58¾	30	44¼	10⅛	15⅞	12¼	12⅞	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	4⅞	5	.40
North Amer. Aviation	15⅝	4¼	11	2⅜	4¼	2¾	3⅛	..
North American Co.	132⅞	57¼	90¼	26	36⅝	29	29⅝	§10%
O								
Ohio Oil	34⅛	16	19½	5⅛	6½	5	5⅛	..
Otis Elevator	80⅜	48¼	58½	16⅛	22½	16⅛	16¾	2½
Otis Steel	38⅞	9½	16⅜	3½	4¼	3⅛	3⅝	..
P								
Pacific Gas & Electric	74⅞	40½	54⅞	29⅝	36	32⅛	32½	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	3½	3½	..
Paramount Publix	77¼	34¾	50¼	5⅛	11½	6⅛	7¼	..
Penney (J. C.)	80	27⅝	44¾	26¾	29⅞	26¼	27½	2.40
Phelps Dodge Corp	44⅜	19¾	25⅝	5⅞	8½	6	6	..
Phillips Petroleum	44¾	11½	16⅝	4	5½	4	4	..
Prairie Oil & Gas	54	11¼	20⅜	4⅛	7	4½	4¾	..
Prairie Pipe Line	60	16⅝	26⅛	6⅞	8⅞	6⅛	6⅝	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	37⅞	38¾	2.40
Public Service of N. J.	123¾	65	96½	49⅛	57¾	48¼	48¼	3.40
Pullman, Inc.	89⅜	47	58½	15¼	25	15⅝	18¾	3
Pure Oil	27¼	7⅝	11⅞	3¼	5⅛	3⅞	4⅛	..
Purity Bakeries	88⅞	36	55¼	10¾	14⅝	10⅝	13⅛	2
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	9⅛	5¼	7¼	..
Radio-Keith-Orpheum	50	14⅜	4	2¾	7	2¾	4½	..
Remington-Rand	46½	14⅛	19¾	1⅞	3⅜	2	2⅜	..
Republic Steel	79½	10½	25⅜	4⅛	6½	4¼	4⅞	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54½	32½	40¼	32¾	34½	3
Royal Dutch	56½	36⅞	42⅝	13	18¾	13⅜	16⅝	..
S								
Safeway Stores	122⅜	38¾	69½	38⅝	49¾	39	44	5
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30¼	37⅜	27¼	28	2½
Servel, Inc.	13½	3⅛	11¾	3½	5⅜	4	4¼	..
Shell Union Oil	25½	5¼	10¼	2½	3⅞	2¾	3¼	..
Simmons Co.	94⅞	11	23¾	6⅞	9¼	7	7	..
Sinclair Consol. Oil Corp.	32	9¾	15⅞	4⅛	7⅛	4¼	4⅞	..
Skelly Oil Corp.	42	10⅛	12⅞	2	4	2½	†2½	..
Socony-Vacuum Corp.	..	..	21	8⅜	10⅝	8¾	8⅜	1
So. Cal. Edison	72	40⅛	54½	28⅜	32⅛	29¼	30	2
Standard Brands	29¼	14⅛	20½	10⅛	13⅝	11¾	12	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	33	25½	26½	3½
Standard Oil of Calif.	75	42¼	51¾	23⅛	27	22½	23⅞	2
Standard Oil of N. J.	84⅞	43½	52½	26	30½	25⅜	25⅞	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	6⅝	5	5	..
Stone & Webster	113⅜	37½	54½	9⅞	14¾	9¼	10⅜	1
Studebaker Corp.	47¼	18⅛	26	9	13¼	10⅜	10½	1.20
T								
Texas Corp.	60½	28¼	36¼	9⅞	13⅞	10	10½	2
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	25⅞	20½	22½	3
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	5⅞	4½	4¾	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3⅜	2⅜	2½	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	16¾	18½	2
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	22	14½	16	3
Union Carbide & Carbon	106⅜	52½	72	27⅛	34⅜	27¼	27¾	2.60
Union Oil of Cal.	50	20⅛	26⅝	11	13⅞	11⅛	11⅜	1.40
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	16¼	9¾	13¼	..
United Carbon	84	14⅜	28¾	6⅛	12	9⅛	9¾	..
United Corp.	52	13⅞	31¼	7⅛	10½	8	8	.75
United Fruit	105	46½	67¾	17½	25¼	20	21⅞	3
United Gas Imp.	49⅜	24¼	37½	15⅜	20¼	17¼	18⅜	1.20
U. S. Industrial Alcohol	139⅜	50½	77⅜	20⅜	30¾	21⅝	22¼	..
U. S. Pipe & Fdy.	38¼	18½	37⅛	10	15½	10⅛	13¾	2
U. S. Realty	75½	25	36¾	5⅛	8⅜	5½	7⅝	..
U. S. Rubber	35	11	20⅜	3½	5⅜	3½	3¾	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	12⅜	17	14¾	15⅜	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	46⅞	35½	38½	2
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	8¼	8½	2
V								
Vanadium Corp.	143¼	44⅜	76¾	11	16¼	11½	12⅝	..
W								
Warren Bros.	65⅜	26⅜	46⅜	3¾	6½	3⅞	4¼	..
Warner Brothers Pictures	80¼	9¾	20⅜	2⅛	4⅜	2¼	2⅞	..
Western Union Tel.	210¾	122⅛	150¾	38⅛	44⅜	33	36⅜	6
Westinghouse Air Brake	52	31¼	36⅛	11	16	12	14	2
Westinghouse Elec. & Mfg.	201½	88⅛	107¾	22½	30¼	19⅞	23¾	2½
White Motor	43	21⅝	26¼	7⅜	10¼	8½	8⅝	..
Woolworth Co. (F. W.)	70⅜	51⅛	72¾	35	44⅜	36¾	37⅝	2.40
Worthington Pump & Mach.	169	47	106⅞	15⅛	23¼	15⅛	17⅜	..
Wrigley (W. Jr.)	81	65	80¾	46	57	45¾	46	4

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

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Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Home Products Corp.	Com. Div.	2-25
Amer. Safety Razor Corp.	Com. Div.	2-23
Borg-Warner Corp.	Pfd. & Com. Divs.	2-25
Brooklyn Union Gas Co.	Directors	2-25
Bush Terminal Building Co.	Directors	2-25
Bush Terminal Co.	Directors	2-25
Coca-Cola Co.	Common Div.	2-22
Consolidated Laundries Corp.	Directors	2-29
Continental Gas & Elec. Co.	Pr. Pfd. & Com. Divs.	2-23
General Amer. Tank Car Corp.	Com. Div.	2-25
General Electric Co.	Special & Com. Div.	2-26
General Railway Signal.	Pfd. & Com. Div.	2-25
Hudson Motor Car Co.	Common Div.	2-20
Inter'l Business Machines Corp.	Com. Div.	2-23
Mathieson Alkali Works, Inc.	Pfd. & Com. Div.	2-24
Monsanto Chemical Works	Com. Div.	2-23
Southern Calif. Edison Co.	Common & Orig. Pfd. Divs.	2-26
Walderf System, Inc.	Com. Div.	2-24
Westinghouse Elec. & Mfg. Co.	Pfd. & Com. Divs.	2-24
Worthington Pump & Mchy. Corp.	Directors	2-23

For Features to Appear in the Next Issue

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United Gas Improvement

(Continued from page 533)

the activities of its various properties and increasing their efficiency. The result has been a substantial economy in operations, proof of which is found in a satisfactory maintenance of the company's earning power despite the difficulties of severe depression in the highly industrialized territory it serves.

United Gas Improvement has no funded debt, although funded debt of subsidiaries totals approximately $240,000,000. Capitalization of the parent company consists simply of 764,905 shares of $5 preferred stock and 23,245,269 shares of no par common. Because of the size of the issue, the common normally tends to move slowly but nevertheless is subject to relatively wide range over a period of time.

We believe the stock is sufficiently attractive to warrant moderate commitments on a scale-down basis in periods of market weakness. Its greatest speculative promise rests upon the virtual certainty that vast Eastern consolidation plans, now held up by depression and by the demoralized condition of the securities markets, will be pushed through to completion when normal conditions return.

Can These Men Bring Back Prosperity?

(Continued from page 523)

oil field. A bear for the study of finance, he soon became indispensable to Mr. Mellon and Mr. Hoover. He's popular with the poor-but-honest circles of Washington as well as with the social upper crust. In public finance he leans to the action side. If he has his way, the Federal Reserve, of which he is ex-officio chairman, will back up the Reconstruction Corporation to the limit. President Hoover banks on him.

Jones of Houston

The Reconstruction Act made it incumbent upon the President to appoint three Democrats to the Board, and he followed the advice, in choosing them, of Democratic leaders in Congress. Jesse H. Jones, Houston banker, newspaper publisher, lumberman and real estate operator, was suggested by Speaker Garner, fellow Texan. Jones is said to be a forty-times millionaire; whatever it is he

made it from scratch. He never got beyond the Tennessee public schools, entered a lumber yard at Dallas, Tex., in 1894, when he was twenty years old, annexed the managership before he was twenty-one, and was general manager of the line of yards three years later. Money making is his genius and his sport, unless the latter may have to take a second place to home-town-boosting. He made Houston a deep-water ocean port, got a finger into everything worth getting it into from the Rice hotel to lumber manufacturing and banking. During the war he was director general of the Department of Military Relief of the American Red Cross, which among other things established 41 base hospitals, organized 700 canteen and rest stations at embarkation points, and 45 ambulance companies. He sprang into national fame as rush builder of the auditorium for the Democratic national convention in Houston in 1928 and as Texas candidate for the presidential nomination. Jones, tall, slender, suave but direct, soft-spoken, white-haired, makes you think of a noiseless motor —high-speed but smooth.

McCarthy, Envoy from the West

Wilson McCarthy, Salt Lake City, Democrat, member of the Board for the Far West, the live-stock, farming, mining and lumbering interests and general apostle of the natural resource industries, but also a lawyer and banker, arrived in Washington with, as he said, barn-yard mud still clinging to his boots. The first thing he did as he unpacked was to put photographs of his wife and five children on his dresser. He is forty-eight and looks thirty-five. His father was a famous pony express rider in the Indian days and later a big livestock man. Born at American River, Utah, Wilson grew up in the cowboy life of Utah, Montana, and Alberta. He admires sage brush, adores the desert and wishes there were more frontiers. Educated in the public schools of Salt Lake and at Utah University, he got his lawyer's diploma at Columbia's New York College of Law. He was successively assistant city attorney of Salt Lake, district attorney, member of the state senate, district judge and is now regent of the State University.

He became attorney for the Pacific Coast Joint Stock Land bank in 1922, and later vice-president and manager. He is interested in a number of banks and trust companies, and is extremely sympathetic with the trials and tribulations of the rural banks whose difficulties are mainly due to the fact that they have risen and fallen with the interests and status of their communities but have often suffered from following the advice of the big city banks. McCarthy will see that the West and the open spaces get their share.

Democrats But Utility Magnate

Utility executives generally line up with the Republican party, but when Senator Robinson of Arkansas recommended Harvey Crowley Couch, Pine Bluff, Ark., as a Democratic member of the Board he named a big one. Desperately poor in his youth, he struck the trail to fortune as a telephone line organizer and builder in 1897, when he was but twenty years of age, having previously served as a drug store clerk and railway mail service clerk. Now he is at the head of a whole string of public utility companies in Arkansas, Louisiana and Mississippi. He is a director of the Chase National Bank, New York, of the Electric Power & Light Co., and is affiliated with the Electric Bond & Share Co. and many other corporations.

So, there you are, with a quick look at the men who are delegated to restore prosperity. Selected and ex-officio, they are a representative group of American successful men of wide and varied business and public experience, reflecting the vast and manifold interests of a continental nation. All believe in their mission and glory in the opportunity it gives them for crucial public service.

It's a great adventure on which they have embarked. Success or failure, it was decreed by popular will, inevitable. But as one of them said, "It's better to fail in a good fight than to run away. Having helped the world in vain we now turn to self-help."

American Copper Industry Must Battle for Life

(*Continued from page 521*)

make copper by atomic disintegration and recombination.

For the rest of this depression an effective tariff, by shutting off imports, would permit domestic producers to control their own production, allow their mines to operate at a higher rate, lighten their load of surplus stocks, and remove the probability of breaks in price caused by foreign overproduction, permitting domestic producers to wipe out the surplus before the end of the depression and obtain an average price somewhere near the United States normal.

The high concentration of control of the domestic industry will be a very favorable factor in production-control and will permit a rapid and effective operation of the law of supply and demand that will automatically adjust production to consumption and establish the maximum average price at the United States normal of 13 cents after the depression is over, while an effective tariff will fix that figure as the minimum average. The price, of course, will fluctuate up and down as always but the average will be about normal. In other words, an effective tariff or a complete embargo will do no more and no less than establish the domestic normal average price for the domestic industry.

The additional potential domestic capacity of 150,000 to 200,000 tons of low-cost copper, owned by two of the large companies, will not be brought into production until after domestic consumption has about reached the domestic equipped capacity of 1,050,000 tons, nor will the large low-cost producers push production so as to shut out the high cost ones, for the reason that they will make more money at the lower rate of operation caused by letting the high-cost producers run and establish the domestic normal price. To that extent production could be controlled.

Pertinent to the subject of production-control is the interesting fact that, according to A. B. M. S. statistics, of the 91,000 tons increase in 1929 domestic production over the 1928 figure due to abnormally high price, 82,000 tons was by the large companies. The total increase by all the little producers of the country was only 9,000 tons, or 10 per cent of the total increase and less than one per cent of the total 1928 or 1929 production. The amount of copper that rising price brings out from the small mines has been greatly overestimated.

When domestic consumption returns to the 1928 figure of 870,000 tons, exports of scrap copper and brass, with a copper content of over 55,000 tons in 1928, would have been shut off and would enter domestic consumption, replacing an equivalent amount of primary copper. It might appear that a tariff would also be the cause of eventually losing the exports of primary fabrications to Europe but these are going to be lost anyway because of the long evident determination of European countries to build up their own manufacturing industries behind tariff walls as the United States has done.

With an effective tariff, therefore, the United States would enter the prosperity period producing over 800,000 tons of primary copper a year, or at over 75 per cent of its equipped capacity, over 85 per cent of its 1928 rate, and 100 per cent of its consumption. Production thereafter would increase as domestic consumption increased. The domestic industry could hope to

receive an average price that would give a normal return on capital, permit the employment of more men and payment of wages comparable to those of other industries, and stimulate exploration for, and development of new ore bodies that would advance by some years the date of peak production and by many years the date when the United States would be partly dependent on foreign copper.

Of those companies owning both domestic and foreign capacity the company with its larger and low-cost capacity in the United States would make more money with an effective tariff than without one. The company with its larger and low-cost capacity abroad would make more money without a tariff.

With its highly centralized control the domestic copper industry is unusually fortunate as compared with many others, the coal, and the oil industries for example. With a little intelligent leadership under an effective tariff it could be put into a condition of economic stability and prosperity greatly beneficial to not only itself but to all industry and to the general public. The steel industry is a good example of what can be done. Though suffering from the depression it has no overhanging surplus stocks and consequent ruinous price and is ready to take immediate advantage of improved general conditions.

There is no question as to what will happen to the United States copper mining industry without an effective tariff and what could be accomplished with one. The above exposition is very close to the true picture. It is just a question of what policy the representatives of the American people wish to pursue in regard to one of the country's major basic industries.

A lot of bunk and many fallacious arguments both for and against a copper tariff have already been published but of the really sound arguments pro and con very little has been heard. It is hoped that this outline of fact and logical inference regarding the world copper situation and the proposed copper tariff will help to clear away the rubbish and permit discussion to center on the essential points involved. It is the result of an independent investigation by a mining geologist and examining engineer who has long lived in and worked out from the greatest copper-producing state but whose interests are now entirely in gold mining.

The fact should be emphasized that fundamental conditions within the copper industry have been rapidly changing right up to the time of present writing and any sound estimate of the future must be based upon present conditions and not on those of a few years or even a year ago.

What to Do With South American Bonds

(*Continued from page 529*)

ports of wheat, wool and meats give it a satisfactory trade balance in normal times and under present adverse conditions appear sufficient to make it likely that the country can maintain its recently announced promise that it will continue to meet interest on its bonds. While sinking fund provisions on its bonds, now selling at 34 cents on the dollar here, have been suspended for a year it is of greater importance that the Government has authorized purchase of up to $9,000,000 of the bonds at depreciated prices in foreign markets. Such purchases should not only provide immediate support for the bonds but improve the longer outlook for recovery.

Highest in South American credit rating is Argentina, whose dollar bonds have recovered from a low of 35 cents on the dollar to current prices around 52 cents on the dollar. The country has a better-educated, wealthier and more industrious population than have other South American countries and likewise is benefited by a more diverse economy than most, although its prosperity and particularly its ability to meet foreign obligations depend largely upon exports of meats, wool, wheat and other agricultural products.

It has avoided the mistake of holding its products off the world market at any time in the hope of obtaining higher prices and has made valiant, and thus far successful, efforts to adjust itself to depression. Due to unfavorable trade balances in 1929, 1930 and the forepart of 1931, Argentina has made heavy payments in gold abroad, but it has now succeeded in trimming imports, putting the trade balance back on the favorable side and still possesses gold to the extent of approximately 280,000,000 gold pesos. After providing for domestic currency requirements under existing laws, this would leave an available export margin of slightly more than 70,000,000 gold pesos.

It is estimated that the 1932 Argentine trade balance should be around 77,000,000 gold pesos. Together with exportable gold, this would cover 1932 maturities and debt service and leave a surplus of 53,000,000 pesos. Moreover Argentina has pledged her word to meet all foreign obligations and is now backing it up by definite fiscal action. Sweeping revenue changes have been instituted, including the first Argentine income tax, and these have widened the domestic taxation base. Argentina's position appears secure against anything save a further drastic decline in international trade. Improvement in this respect should quickly carry the bonds back to a normal quotation.

In summary, it appears that the better South American bonds should be retained on the reasonable prospect of a virtually complete ultimate recovery when the economic tide turns for the better.

In the more depressed issues, or certainly in some of them, complete recovery probably cannot be expected, but when a depreciation of 80 to 95 per cent has already been established the remaining risk would appear to be a rather small bet to maintain against even an uncertain future. No country likes to blacken its credit record with a complete and final default. In a commercial world it has a strong incentive to make an honest effort to pay as soon as possible. That is why those who refrain from dumping bonds at 6 cents on the dollar may ultimately get a settlement at 25 cents on the dollar or more.

The Problem of Rail Maturities Will Be Solved

(*Continued from page 531*)

The figures easily show that funded debt of many of the carriers is too large in proportion to gross earnings, particularly in such times as have prevailed in the last two years. It may be suggested that gross earnings for the past year were off sharply and that, therefore, the comparison with funded debt is not fair. There was a big decrease, as much as 33% from 1929, according to Daniel Willard, but the shrinkage was common to all the roads and not peculiar to a few. For that reason the comparison of funded debt and gross earnings for 1931 between any two roads, on the basis of that year's figures is as fair as in 1929, when earnings were so much larger, and, in some cases, funded debt smaller.

A vital point is that, with the ever-increasing competition and the tendency of regulatory bodies to reduce rates, the railroads have not been able, in the last few years, to get a sufficiently large volume out of which to make the requisite net. This same problem will obtain in the next few years, perhaps to even a greater extent than in the last two years.

Funded debt, when once assumed, is not easy to get rid of. But as the situation improves, the railroads should do all in their power to cut down the present amount of that obligation, and

also not to increase it by new issues. The latter may seem necessary in order to fund present short term borrowings, but so far as possible, stock, rather than bonds, should be used. The I. C. C. might permit the roads to sell that security at less than par.

Examination of the figures in the table will show also in a striking way, that some of the roads with the smallest funded debt had the largest proportion of gross earnings in 1931. Although the figures are not given in the table, it is true that those same roads reported the largest proportion of net.

Comparisons are not pleasant, but just a few to illustrate the disparity between funded debt and gross earnings last year of some of the prominent roads. For instance, Atchison and Baltimore & Ohio. The latter had more than double the funded debt of the former, but Atchison's gross exceeded that of Baltimore & Ohio by nearly $23,000,000.

St. Paul, with $171,000,000 more funded debt than Atchison, had $70,000,000 less gross. Rock Island's funded debt exceeded that of Atchison by $10,000,000, but its gross was not much more than half as large. Great Northern had $45,000,000 more funded debt, but only $77,000,000 gross compared with $181,000,000 for Atchison.

The official announcement that Pennsylvania will seek a loan of perhaps $5,000,000 a month for some months in succession, from the Reconstruction Finance Corporation, to complete its electrification work, and the rumor that New York Central is considering a big loan from the same source, suggest the large volume of company securities that must be issued in due time to refund these and other temporary obligations already or about to be incurred.

It may be stated for the comfort of New York Central security holders that the rumor was without foundation. The application will be for less than $10,000,000 and the proceeds will be used wholly in connection with the West Side improvements in New York City.

Investors in railroad securities should watch closely the relation between funded debt and gross earnings. The former must be met at maturity and the interest paid in the meantime. The latter are hard to get.

Answers to Inquiries

(*Continued from page* 549)

period of 1930. This showing was in spite of increased advertising expenses and the issue of approximately $8,000,000 of additional 6% preferred stock which called for greater dividend disbursements. The gain was attributed to larger tonnage sales, continued profitable operation of foreign subsidiaries, and the benefits resulting from the merger of the various properties which now constitute the organization. In the final six months of 1931, earnings were affected by some curtailment of buying in September and October, normally the two best months of the year for the year, and by the drop in exchange values in a number of countries where subsidiaries operate. In spite of these adverse influences, it is officially stated that full 1931 earnings were well in excess of the annual dividend requirements of $2.50 a share. On June 30, 1931, the company had total current assets of $40,382,395 and current liabilities of $6,108,491 or a net working capital of $34,723,904. Working capital position was strengthened during the final six months of the year. The action of the management in extending operations into new territories, combined with the ability to make these operations profitable is an important element in the outlook for the enterprise. Advertising expenditures were increased to nearly $15,000,000 in 1931, and the benefits of this have proved to be cumulative. In view of the company's past record and future prospects, we look upon the sale of the shares at current levels in the light of a sacrifice and counsel against such action.

HERCULES POWDER CO.

Aside from my back-log investments I have several stocks which you would probably class as "business-man's risks." One of these is Hercules Powder. I am wondering about this just now because I suppose it might profit if a war should start anywhere. Do you think Hercules all right for inclusion on a diversified list?—A. J. G., Wilmington, Del.

The Hercules Powder Co. is primarily engaged in the manufacture of explosives for use in the mining and construction activities. In addition, however, the company produces naval stores, nitro-cellulose (an ingredient used in the manufacture of lacquer, safety glass and artificial leather) and rayon. All of these lines have been adversely affected by general business conditions, with the result that net earnings in 1931 were equal to $1.04 a common share compared with $2.61 a share in 1930 and $5.95 a share in 1929. As of October 1, 1931, Hercules Powder acquired the Paper Makers Chemical Corp., engaged in the manufacture of gum resin and paper sizings, and this should have a stabilizing effect on earnings from now on. Although earnings over the past two years have not covered the annual dividend requirements of $3 a share on the

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The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York, N. Y.

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John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

"THE BACHE REVIEW"
A summary of the general financial and business situation, published every week by J. S. Bache & Co. In writing mention Bache Review. (290).

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"TRADING METHODS"
This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785).

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JOHNSON DAILY MARKET LETTER
Daily Market Letter issued upon request by W. K. Johnson & Co., members of New York Stock Exchange. (904).

"STOCK EXCHANGE SERVICE FOR THE SMALL INVESTOR"
This booklet, published by M. C. Bouvier & Co., will be sent upon request. (908).

"MAKING MONEY BY DEALING IN MONEY"
Is the title of an interesting booklet recently prepared for distribution by Credit Service Associates. Complimentary copy will be forwarded upon request. (902).

"BANKERS BUILDING & LOAN ASSOCIATION"
Booklet "A," published by this Association, will give you full details regarding an excellent safe investment. (909).

"PIONEER GOLD MINES OF B. C., LTD."
A. D. Watts & Co. are distributing a pamphlet describing this producing gold mining company which is planning to treble output. (910).

common stock, these payments have been maintained out of surplus. The current assets of the company on December 31, 1931, including cash and marketable securities of $6,836,773, were equal to $15,186,980 against current liabilities of $626,476. A recovery of earning power sufficient to cover common dividend requirements is largely dependent upon a revival in the mining, construction and automobile industries, although at least a temporary stimulus would be given by an aggravation of hostilities in the Far East. We look upon the shares as suitable for inclusion in a well diversified list, of securities as a "business-man's risk."

INTERNATIONAL BUSINESS MACHINES CORP.

Do you favor the purchase of International Business Machines? I may have missed seeing published statements giving the results of their recent operations, so I would be glad to have you include anything you can tell me about recent earnings.—L. A. C., Erie, Pa.

A company that has maintained earnings growth during the past two years, in the face of generally depressed conditions throughout the world, certainly merits consideration as an investment medium for present idle capital. Such is the case of International Business Machines Corp. Since 1921, this company has registered annual earnings increases in each year, which trend, was maintained during the year just closed. Although the annual statement for 1931 has not as yet been published, profits for the 12 months ended December 31, last, have been officially announced as in excess of those reported in 1930, but increased capitalization during the year may prevent the rise in per share results from those of $11.53 reported for the preceding year. This accomplishment testifies as to aggressiveness and capability of the management, particularly so when consideration is given to the fact the general run of companies engaged in its field probably will report a falling off in earnings of approximately 50% from that registered in 1930. International Business Machines Corp. is the leading manufacturer of a well diversified line of office appliances, such as tabulating, accounting and timekeeping devices. In addition, the company is engaged in the manufacture of coffee grinders and meat slicers. Plants are located in Canada, Germany and France, while distribution of the company's products is accomplished through branch offices located in all of principal cities of the world. An interesting side light on the company's method of business is the fact that for the most part, its machines are rented rather than sold outright, thus lending a stabilizing influence to income. Although at the present time, the domestic business of International Business Machines Corp. accounts for substantially the greater part of its income, potentialities in foreign markets are unlimited, and any change for the better in the economic outlook abroad should immediately reflect in substantial earnings expansion of that division. Funded debt of the company has been steadily retired and at latest reports, amounts to less than $2,000,000. Moreover, the strong financial position at the close of 1930 is believed to have been maintained to date. Disregarding the extra disbursements of 5% in stock which have been paid during the past three years, International Business Machines common, at current prices, offers a return of 6%, which must be regarded as liberal in the light of the foregoing. While earnings growth may be restricted during the early future, it is our opinion that moderate accumulation of the shares should prove a profitable undertaking over a reasonable period of time.

HOUDAILLE HERSHEY CORP.

Why is Houdaille Hershey "B" stock selling so low? I understand the company reported an improvement in earnings in the first nine months of last year and have thought of buying the stock as a speculation. A report will be appreciated. —D. S. E., Utica, N. Y.

Houdaille Hershey Corp. is the outcome of a consolidation of the Hershey Corp., Houdaille Corp. and Oaks Products Corp., effected in 1929. In 1930, the company acquired the Lyon Cover Co., while in the early part of 1931, the company's facilities were augmented by the acquisition of Muskegon Motor Specialties Co. Houdaille Hershey, as now constituted, represents a well integrated unit in the automotive accessory field, producing hydraulic double action shock absorbers, spring bumpers for automobiles, locks for tires, shields, tire carriers, steering knuckles, crank shafts, camshafts, and metal tire covers. Noteworthy improvement in operations has been in evidence since the company's inception, but sharply curtailed activity in the automotive industry witnessed during 1931 as well as increasingly keen competition among the accessory producers for new business, with resultant lower profits on sales, materially restricted earning power. For the nine months ended September 30, 1931, consolidated net profits amounted to $486,328 equal, after preferred dividend requirements to 10 cents a share on 784,976 no par shares of class B stock outstanding, excluding 17,194 shares in treasury. Total net income of Houdaille Hershey Corp. and Muskegon Motor Specialties Co. (operated separately in 1930) for the corresponding interval of the preceding year amounted to $379,742, although, after payment of preferred dividends of both enterprises, a deficit of $37,610 was incurred. Despite operating economies effected during the year, full 1931 returns are believed to have afforded little in the way of profits for the class B stock. At latest reports (September 30, 1931) financial position of company was strong; current ratio exceeded 10 to 1, while cash and Government securities stood at $2,399,541, against total current liabilities of $302,148. Certainly this condition will stand the company in good stead during current period of adversities, but substantial earnings improvement must necessarily await a revival of more favorable trade conditions in the automotive industry generally—not in immediate prospect. We look upon Houdaille Hershey class B stock as a relatively unattractive speculation at this writing, and suggest that purchases be deferred.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$2.00	Best & Company	$.50	Q	2-25	3-15
3.00	Brown Shoe Co..........	.75	Q	2-20	3-1
2.00	Commercial Inv. Trust..	.50	Q	3-5	4-1
1.20	Crown Cork & Seal.....	.30	Q	2-29	3-15
2.00	Curtis Publishing Co...	.50	Q	2-20	3-5
9.00	Delaware & Hudson Co..	2.25	Q	2-26	3-21
5.00	Eastman Kodak Co....	1.25	Q	3-5	4-1
1.00	General Asphalt Co....	.25	Q	3-1	3-15
7.80	Homestake Mining Co..	.65	M	2-20	2-25
....	Homestake Mining Co..	1.00	Ext	2-20	2-25
1.75	Louisville Gas & Elec. Co. "A"	.43¾	Q	2-29	3-25
1.75	Louisville Gas & Elec. Co. "B"	.43¾	Q	2-29	3-25
10.00	Norfolk & Western Ry.	2.50	Q	2-29	3-19
3.40	Public Serv. Corp. N. J.	.85	Q	3-1	3-31
1.00	Sun Oil Co.	.25	Q	2-25	3-15
2.00	Timken Roller Bearing.	.50	Q	2-19	3-5
1.20	United Gas Imp'ment...	.30	Q	2-29	3-31
6.00	U. S. Dairy Pr. Cl. "A"	1.50	Q	2-20	3-1
2.00	U. S. Steel Corp.......	.50	Q	2-29	3-30
6.00	Wrigley (Wm.) Jr.....	.50	M	2-20	3-1

NEW YORK CENTRAL R. R.

In the settlement of an estate I have received 120 shares of New York Central stock. I am a little disappointed at the reaction of this stock to the favorable wage announcement. What are the prospects for this road during 1932?—G. M. B., Chicago, Ill.

One of the major railroad systems in the country, New York Central R. R. operates 11,000 miles of track between Boston and New York, and Chicago and the Middle West. The road thus links up some of the more important industrial centers of the United States and shares in the benefits of general industrial activity. Conversely, indus-

trial dullness reduces earning power and for this reason, 1931 earnings of the road were down to a nominal figure from the $7.21 a common share shown in 1930 and $16.88 a share in 1929. The outlook for 1932 earnings is more promising. The company will begin to receive a return on its large investments in terminal facilities on the New York West Side, while some freight rates have been increased and the 10% wage reduction is expected to save approximately $17,500,000. The wage saving alone would be equal to nearly $4 a share on the 4,992,597 shares of capital stock outstanding. The road has made arrangements to adjust the unsatisfactory financial condition which prevailed through the latter part of 1931, by the issuance of $75,000,000 of short term promissory notes bearing interest at 6% and maturing not later than December 31, 1933. Proceeds from the sale of this issue would retire the $58,500,000 of bank loans outstanding, and would be secured by the collateral pledge of $100,000,000 Series C 5% 1st mortgage bonds recently authorized. With the financial position of the road improved, operating expenses cut to the minimum and prospects for higher gross in 1932 than in 1931 on an equal volume of traffic, current quotations for the shares appear to discount the change in the outlook for the railroads which has taken place since 1929. In the light of these circumstances, we look upon the sale of stock at current levels in the nature of a sacrifice and advise against such action.

CORN PRODUCTS REFINING CO.

What is happening to Corn Products so far as its foreign subsidiaries are concerned? I am interested in this because of the present situation abroad. I have a couple of hundred shares and am undecided whether to keep on holding them or not.—F. R. K., San Diego, Calif.

Corn Products Refining Co., manufacturer of glucose, starch, corn syrup and similar products, has suffered some reduction in its sales volume as a result of the general business situation. In the nine months ended September 30, last, the company reported net earnings of $2.46 a share on the common stock compared with $3.50 a share in the corresponding period of 1930. Full 1931 net is believed to have been under the dividend disbursements of $4 a share made during the year, but above the regular $3 annual rate. Foreign operations in 1931 held up well, and in some countries, the cash value of business done compared favorably with that in 1930 despite the lower price level. In general, foreign tonnage sales were ahead of those for 1930, but

dollar volume of business was off somewhat. However, the tonnage sales are a more important influence in determining profits. The results of the activities of the foreign subsidiaries will appear only to the extent that dividends have been paid into the parent company. While foreign currency has been inflated by the abandonment of the gold standard, the company has raised its prices sufficiently to offset the currency discount. At the close of 1930, Corn Products had cash and short term loans amounting to more than $8,000,000 in addition to marketable securities at cost less depreciation, of $33,500,000. This latter item is understood, to have included a large proportion of railroad securities which have been drastically deflated over the past six months or so. However, this depreciation will probably be charged against surplus, and there were no important inventory losses at the year-end, as inventories were small and carried at deflated levels. In view of the fact that earnings are below the 1931 disbursements of $3 a share regular and $1 extra, it is likely that the extra will be omitted, but current quotations for the shares appear to discount such a development. Salaries and wages have been reduced 10%, and this will improve earnings as prices and volume of business become stabilized. We feel that the strong trade position, excellent record and promising outlook justify retention of shares purchased at higher levels on the expectation of a recovery of earning power over the longer term.

UNION CARBIDE & CARBON CORP.

At the suggestion of my bank I bought Union Carbide last fall at somewhat above the present market price. I planned to put the stock away for income and possible long pull profits. Please let me know whether you think this is good judgment. —H. D. O., Omaha, Neb.

Although Union Carbide & Carbon Corp. is generally regarded as an important manufacturer of chemicals, a survey of the more important products of the company will reveal the vast scope of its operations. Through its subsidiaries, Union Carbide is engaged in the production of carbon products of all kinds, calcium carbide, used principally in the generation of acetylene gas, oxy-acetylene welding equipment, oxygen, nitrogen, "Pyrofax" (household gas), many chemicals including alcohol and solvents, used in the paint and other trades, special alloy steels, and the well known "Ever-Ready" batteries. Reflecting the aggressive management of the company, earnings during the past two years of depression have been maintained at comparatively favorable levels, declines having been restricted to nominal dimensions. Profits for the calendar year of 1930 amounted to $3.12 a common share, as compared with $3.94 a share on a smaller capitalization for the preceding year. For the nine months ended September 30, 1931, per share results of $1.54 were reported compared with $2.22 for the corresponding 1930 interval. Although full 1931 returns are believed to have fallen short of present annual dividend requirements of $2.60 a share, continuance of the present rate for the time being at least, is possible, when consideration is given to the company's exceptionally strong financial position. However, maintenance of the present dividend throughout 1932 hinges largely on business accruing to the company during the course of the year, which factor will be weighed carefully by the directors of the company at their dividend meetings. However, prevailing quotations for Union Carbide & Carbon common, adequately discount this uncertainty, and in view of the more favorable long term prospects for the enterprise, we are inclined to look upon the disposal of commitments made at higher levels as unwarranted.

KROGER GROCERY & BAKING CO.

I am uncertain what I ought to do about my Kroger Grocery stock. Do you think this company has a big future? Also, do you know whether it is expanding or contracting its activities?—M. L. M., Yonkers, N. Y.

During the past year, Kroger Grocery & Baking Co. has been undergoing a thorough reorganization under the guidance of the new management, installed about a year ago. A considerable number of unprofitable stores have been closed, and the extended nature of the economies effected in operation, warehousing and other important phases has been such as to promise important contributions to profits under more normal conditions. Recently, the management has indicated that it has been making a complete survey of the company's territory, with a view to opening stores in those localities where Kroger has not been sufficiently represented to obtain the maximum proportion of available business. Under the revised rental conditions now existing, it is probable that new stores can be conducted at much lower overhead. Relying largely on buying power in a territory which is mainly industrial, it is not surprising that the downward trend in the company's sales became accentuated in the latter half of 1931, reflecting increasing unemployment and reduced wages. For the 52 weeks ended January 2, sales showed a decline of 5.3%, without giving any consideration to a reduction of 278 in the number of stores operated. Forced to absorb heavy expenses incidental to the closing of unprofitable stores, inventory adjustments and reduced profit margins, it is probable that earnings last year were not much, if anything, in excess of $1.40 for the common stock. Although the immediate outlook does not promise early improvement in results, neither does there appear to be any reason for anticipating a further serious decline in sales and earnings. With operations adjusted to conform with existing conditions, and considering the company's well entrenched position in its territory, we are of the opinion that the shares, at prevailing quotations around 14, have gone a considerable distance toward discounting the adversities with which the company has had to cope. There is a reasonable possibility that the present $1 dividend can be maintained without difficulty, although the maintenance of this rate will, naturally, depend upon the company's immediate financial needs. On the whole, therefore, we feel continued retention to be a logical procedure.

Readers' Forum

(Continued from page 545)

value, while tariffs on the things he buys tends to raise their prices. The British farmer got free trade in everything he bought at the same time that he got it on his products. That, however, did not benefit him because at that time no other nation could compete with England in most manufactured articles.

These are simply the facts, and they may or may not be of importance in discussing the general policy for the country or the world as a whole of low tariffs or high tariffs. What we would like to see is such a readjustment of agriculture that protective tariffs would profit the farmer as much as they profit the manufacturer.

Collect the Foreign Debts

Editor, Readers' Forum:

I wish to take this opportunity to commend the stand you are taking regarding the cancellation of foreign loans.

I feel the best way to prevent future wars is to make the European countries fully realize the cost and curse of same by insisting on payment in full, as originally promised, and not loan one cent more to them until they have made substantial payments on all loans which are owing to us.

If our Government now had the many billions loaned to foreign countries it would help our many distressed industries here today, greatly in need of financial aid.

Why should we cancel loans amounting

(Please turn to page 564)

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western..........	4 (N)	133.73	182.20	138.50	No	76	5.3
Atchison, Top. & S. Fe......	5 (N)	40.21	49.18	30.08	No	82	6.1
Union Pacific	4 (N)	46.32	49.48	41.30	No	63	6.4

Public Utilities

Amer. Lt. & Traction.......	1½ (C)	17.20	21.38	20.71	No	27	5.6
Pacific Gas & Elec. 1st......	1½ (C)	4.24	4.57	5.25	No	25	6.0
New York Steam Corp.......	7 (C)	9.75‡	10.21‡	16.95‡	115	104	6.2
So. California Edison "B"...	1½ (C)	3.28	3.61	3.63	28¾	24	6.3
New York Steam Corp.......	6 (C)	9.75‡	10.21‡	16.95‡	105	92	6.5
Public Service of New Jersey	8 (C)	§20.92	§24.44	§22.10	No	122	6.6
North American Co..........	3 (C)	40.22	47.48	47.51	55	43	7.0
North Amer. Edison.........	6 (C)	53.15	58.98	49.65	105	84	7.1
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	22	7.3
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No	38	7.9
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	70	8.6
United Corp.	3 (C)	....	4.66	6.46	55	35	8.6
Columbia Gas & Electric "A"	6 (C)	30.78	33.95	26.86	110	69	8.7
National Pr. & Light........	6 (C)	45.38	50.22	45.16	110	65	9.2

Industrials

Procter & Gamble (2nd).....	5 (C)	185.59	151.75	178.16	115	95	5.3
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	100	6.0
Allied Chem. & Dye.........	7 (C)	68.63	76.88	63.90	120	117	6.0
Stand. Brands, Inc., Cum. A.	7 (C)	123.40	129.41	111.03	120	115	6.1
Diamond Match	1.5 (C)	....	....	....	No	23	6.5
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	75	6.7
Mathieson Alkali Works......	7 (C)	84.50	98.91	84.68	No	105	6.7
General Cigar	7 (C)	62.81	85.92	64.03	No	104	6.7
General Mills	6 (C)	18.70	18.86	20.03	115	87	6.9
Commerc. Investm. Trust 1st.	6½ (C)	45.50	81.92	90.87	110	92	7.1
International Nickel	7 (C)	139.12	80.45	40.26	120(a)	78	9.0
Amer. Smelting & Refining..	7 (C)	37.17	43.66	22.20	No	77	9.1
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	76	9.2

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. † Regular rate, $4. (a) After Feb. 1, 1934. ‡ On combined preferred.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	20 Rails	N. Y. Times 50 Stocks High	Low	Sales
Monday, February 1	66.62	79.63	38.37	74.09	70.99	1,517,186
Tuesday, February 2	66.62	77.82	37.38	74.18	71.42	1,119,492
Wednesday, February 3	66.35	78.26	37.31	72.05	70.51	809,279
Thursday, February 4	66.18	77.66	36.65	71.93	70.69	674,876
Friday, February 5	65.92	75.00	34.30	70.65	68.09	1,082,920
Saturday, February 6	65.53	74.45	33.65	68.36	67.27	660,300
Monday, February 8	65.35	73.45	33.01	68.35	65.98	1,150,924
Tuesday, February 9	64.98	72.38	32.76	67.34	65.43	1,156,641
Wednesday, February 10	64.54	71.80	33.01	67.08	64.70	1,303,148
Thursday, February 11	64.90	78.60	35.57	71.99	67.74	2,563,531
Friday, February 12	HOLIDAY — EXCHANGE CLOSED					
Saturday, February 13	65.64	85.82	39.70	79.16	73.18	2,626,200

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of February 11, 1932

Name and Dividend	1932 Price Range High	1932 Price Range Low	Recent Price
Aluminum Co. of Amer.	61¾	45	52½
Aluminum of Amer. Pfd. (6)	67¾	57⅛	57½
Amer. Cities P. & L. "B"	2½	1¾	1¾
Amer. Cyanamid B	3⅞	2⅞	3¼
Amer. Lt. & Tr. (2½)	24	17¾	19½
Amer. & Foreign Pwr. War.	4¾	3¼	4
Amer. Gas Elec. (1)	39⅜	31⅞	34⅝
Amer. Superpower	4⅜	3¼	3⅞
Assoc. Gas Elec. "A" (Stk. 5%)	4⅜	3⅞	4¼
Brazil T. L. & P. (1)	11½	8⅞	11¼
Central Stat. El.	2⅜	1½	1¾
Cities Service (.30)	6⅜	5¼	6
Cit. Ser. Pr. & Lt. Pfd. (6)	50	45½	46
Commonwealth & South. War.	¾	½	½
Cord Corp.	8⅛	4¾	6
Crocker-Wheeler	5⅛	3⅝	3⅝
Deere & Co.	14⅞	7½	9½
Durant Motors	⅞	⅜	½
Elec. Bond Share (6% stk.)	13⅜	9½	11⅛
Ford Mot. of Canada A	13⅝	8⅞	12½
Ford Motors, Ltd. (.36⅝)	6⅛	4½	5
Ford Mot. of Canada "B"	20	16⅛	19½
Goldman Sachs T.	3⅛	2¼	2⅜
Glen Alden Coal (4)	22½	14½	16
Gulf Oil	31⅞	25⅜	28
Hecla Mining (.40)	5⅛	4⅜	4½
Humble Oil (2)	46⅜	42⅜	43
Internat. Pet. (1)	10⅛	8¾	9¼
Lone Star Gas (.88)	9¼	7¾	8
Mid. West Util. (8% stk.)	7	3⅝	4⅜
N. Y. Transit	3	3	3
Newmont Mining	14½	9⅝	11¾
Niagara Hudson Power (.40)	7¼	6⅛	6½
Niagara Hudson Pwr. B war.	3⅛	2½	2⅜
Northern Pipe Line	4¾	3⅜	3¾
Pennroad Corp. (40)	3¾	2⅛	3¼
Public Util. Holding Corp. of Amer. (x war.)	¾	⅜	½
St. Regis Paper	4¾	3⅛	4½
Salt Creek Prod. (1)	3⅞	3⅛	3⅛
Standard Oil of Ind. (1)	16⅞	14	15⅝
Standard Oil of Ky. (1.60)	14⅛	12	13½
Swift & Co. (2)	18⅞	16⅞	18⅛
Trans Lux	2¼	1½	2
United Founders	2½	1⅛	2
United Lt. & Pow. A (1)	8¾	6	6½
United Gas Corp.	2⅝	1⅝	2⅛
U. S. Elec. Pwr. (w. w.)	1⅞	1⅛	1¼
Utility Pwr. & Lt. (10% stk.)	3⅜	2	2¼
Woolworth (F.W.) Ltd. (.23⅝)	8¾	7⅞	8¼

IN line with the trend on the Stock Exchange, the recent deflationary movement on the New York Curb Exchange has been sensationally reversed in reflection of the more confident general sentiment resulting from the action of Congress in liberalizing the Federal Reserve Act.

The rally at this writing has proceeded at virtually the fastest pace of any recovery throughout the bear market, making up in two days nearly all of the reaction from the highest January level. Many leading stocks have moved up well above the previous highest quotations of the year, indicating a technical strength which catches Wall Street by surprise.

What makes such a move possible is not only the constructive character of the changes inaugurated in Federal Reserve policy, but the technical setting created by dreary months of decline to an abnormally low level. Many traders evidently were of the frame of mind to believe substantial advance impossible and bearish speculators have been traded almost as suddenly as were the bulls in the crash of 1929.

It is hardly to be expected that so violent an advance can long continue without substantial reaction, but the movement is of greatest significance in supplying a rather strong suggestion that we probably have seen a bottom that will hold for some time to come, perhaps permanently. If so, the market should quiet down after its initial reaction and then follow a more gradual recovery trend.

Indeed, the first enthusiasm already is cooling down as the market undertakes a more sober study of the details of the Reserve legislation.

In so fast an advance, individual fluctuations on the Curb Exchange are of little interest, for virtually all stocks have moved up together and for the time being such factors as earnings and industrial prospects appear to be without influence.

The general run of industrial stocks, however, have made the best showing, particularly such volatile and relatively high-priced stocks as Aluminum Co. of America and A. O. Smith. The oil group continues to lag behind the market and while the public utilities have experienced technical recovery this group also appears to meet with considerable opportunist liquidation.

(Continued from page 562)

up into the billions made to foreign countries, a large part of which they are using to prepare for another war?

While in Germany last summer, I saw less poverty there than here. They talked poverty to all visiting Americans, but surely there was nothing to indicate poverty in the cities or in the country. The country had good crops, people were well dressed and all seemed to be enjoying themselves much more than many of our American people can afford to do here.

While there, nor since my return, have I heard of a single bank failure in Germany. Wish I could say as much for America.

If the shoe were on the other foot, we surely would be forced to pay every cent we owed.—F. W. PAYNE.

Low Prices

Editor, READERS' FORUM:

I have just come across—in Braille—the article in your magazine entitled, "Lower Prices the Key to Return of Prosperity." Now you folks in Wall Street are certainly a cheerful lot. While you are gathering in prime slices of common stock at five cents on the dollar I suppose your cheerfulness can be excused, but for us folks living in "the sticks" low prices mean stagnation, despair and destruction.

Recently I returned from a trip to a farming section about seventy-five miles north of St. Paul. I own a small dairy farm there. It is now operated by a tenant but I operated it myself for two years so I know conditions as they used to be there. It was formerly a prosperous dairy section. The ordinary farm had eighty acres and carried about twenty good cows—well housed and well fed. When I was there the average year round price of butter fat at the up-to-date creamery was fifty-two cents. Now it is thirty-four cents *in the winter time.* In spite of reducing his rent my tenant—a good man—was two months behind. He handed over his creamery check but that was not enough so he scraped together all the cash he had in the house. Still there was a shortage. Then he suggested going out to collect two small debts from neighbors. He collected eleven dollars from the first man for several pigs. The next man owed him $3.50. He gave my tenant $3.25 saying it was all the money he could lay his hands on. He had been a particularly prosperous farmer. He is now sixty-five years old and told me he was doing all the work of an eighty-acre dairy farm alone. He had always had help but now with the low prices he could no longer afford it.

The countryside is full of returned young men who could find no work in the city. It is almost impossible for a farm hand to find any work. My wife is now trying to find a place in the city at general housework, for the daughter of another "prosperous"

farmer from this section. Her father was declared by the county agent to be the best farmer in the county, yet he has to send his daughter to the city to work at $6 a week and miss a high school education. My tenant who has four children is about to "go on the town." Bran is selling at $10.50 a ton and cows shipped to the stock yards bring about $10 net. Better come out here and look over the ground.—C. E.

How Chain Store Policies Are Combating Depression

(Continued from page 525)

management, and earnings on the capital invested in the business are frequently highest in cases where the margin on sales is low. Those chain merchants who have been plowing a proper proportion of their profits back into the business, acquiring new units, improved locations, etc., will be able to show a satisfactory net profit on the narrow margin of sales profit, and, as a matter of fact, the future profits should be highly satisfactory on stock shares outstanding in such companies.

Basis of Success

The factors here outlined indicate the soundness of chain store operation. The cardinal points are a positive attitude on profit by including it in the fixed charges; and the insistence upon economy for consumers and a profitable alignment with our manufacturers, both of which are in large measure a result of the speed of turnover that the chain organization can maintain.

There are, of course, other elements which give the chain an advantage over other types of merchants. For instance, the more economical use of our capital. The chain has a better method of keeping stocks replenished and of increasing turnover, tying up less capital in merchandise. Its cash transactions enable the chain to pay cash to the manufacturer.

It should be obvious, however, that chain organizations are not accidents and their continuance is assured. It is necessary to cite but a few reasons why:

First: That which tends to increase retail distribution is of permanent and positive value to the manufacturing and all other business of the country.

Second: It is the co-operation and co-ordination for good of the people of the United States that have made possible the abnormally favorable conditions we find in our country as compared with those in all other parts of the world. In the period of recovery from this depression this is going to be especially noticeable. It is already obvious in the proven strength of the chain to weather the storm.

Third: That which benefits the great majority of the people is sound and desirable.

Formerly silk stockings were exclusively for the rich. Today the chain stores sell them by the millions of pairs, with no apparent decrease in sales of higher-priced hose. The chain stores have opened, as if by magic, a world that was once unknown to the masses. They have co-operated with manufacturers to create for popular use, at a popular price, merchandise which in the past had been for the use of the few. The chain stores have been creative in developing this new business, which gives employment to thousands, just as the cheap motor car industry did. Destroy chain stores and let your imagination picture for you what it would mean to farmers, to miners, to shippers, to railroads, to manufacturers, and to the whole world of industry.

State Taxes on Chains

The future of chain store development depends upon many factors. None of these may be of sufficient importance to check the growth of chains. Some, like the anti-chain laws enacted by various states, have been adequate to make us take stock of ourselves. Alabama, Florida, Indiana, Mississippi, North Carolina and South Carolina have statutes imposing special taxes on chain stores. Similar laws in Maryland and Georgia have been contested and held unconstitutional by the courts. The laws of Indiana and North Caro-

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (18)	320	340
Bankers (3)	60	62
Brooklyn (20)	215	225
Central Hanover (7)	138	142
Chase (4)	36½	38½
Chemical (1.80)	32⅝	34⅝
City (4)	48½	50½
Corn Exchange (4)	63	66
Empire (3.20)	23½	25½
First National (100)	1520	1620
Guaranty (20)	283	288
Irving Trust (1.60)	20	21
Manhattan Co. (4)	36⅛	38⅛
Manufacturers (2)	31	33
New York (5)	77½	80½
Public (2)	22½	24½
United States Trust (70)	1510	1610

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (2)	26¾	28¾
Aetna Life (1.20)	24½	26½
Carolina (1.50)	14½	16½
Continental (1.60)	13	15
Glens Falls (1.60)	35	37
Globe & Rutgers (20)	210	240
Great American (1.60)	14½	16
Hanover (1.60)	19¾	21¾
Hartford Fire (2.40)	34¼	36¼
Home (2)	18¾	20¾
National Fire (2)	30	32
North River (1)	9½	11½
Stuyvesant (1.50)	14	19
Travelers (22)	435	485

INSURANCE SHARES—Continued

	Bid	Asked
United States Fire (2)	18	22
Westchester (2.40)	19	21

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
American Surety	16½	19½
Bond & Mtg. (5)	46¾	49¾
Lawyers Mortgage (2.80)	18	20
National Surety (2)	14½	15

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	1	..
Dallas	5	..
Des Moines	1	..
First Carolina	1	..
Lincoln	8	7
Southern Minnesota	..	1
Virginia	⅛	¼

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 6% Pfd.	7½	11½
Do 7% Pfd.	7⅝	13
Diversified Trustees Shares A	7	..
Do Series B	6¼	..
Fixed Trust Shares A	7	..
Interl. Sec. Corp. of Amer., A	⅛	..
Do Cum. Pfd.	6	12
No. Amer. Trust Shares	2.10	..
Second Intl. Securities A	⅛	..
Do 6% Pfd.	7½	12
Shawmut Bank	1½	2½
U. S. & British Internl. A	⅛	..
U. S. Electric Lt. & Pr. "A"	17	19
U. S. Trust Shares	2⅝	3

lina have been appealed to the higher courts and finally validated by decree of the Supreme Court. The agitation against chains in some of the states has been so strong that as rapidly as one law is found invalid another is attempted. Georgia has had two such laws, both declared invalid; the first law enacted in North Carolina and the first in South Carolina were held invalid. Kentucky has enacted a graduated gross sales tax which is now being contested by both independents and chains. And anti-chain tax laws are being considered in Wisconsin and Illinois.

It would seem that there is no end to the agitation against chains. With the meeting of each state legislature new measures are introduced. This very naturally keeps the chain stores very busy combating hostile restrictions and demanding fair treatment. That is not an unmitigated evil, however, as it constantly brings the facts to light, proving the economy of chain operation and advertises the service of chain stores to consumers.

The future of chain stores depends more particularly upon the market possibilities. In our own organization, we figure that it requires a neighborhood of at least five thousand persons to support a Grant store. In Metropolitan New York, for instance, there are at least 400 of such neighborhoods, but not all of them have distinct trading centers and therefore do not afford proper locations. Our growth is dependent upon our finding available locations not too far removed from our nearest link. Gradually we have grown from New England to neighboring states. Ultimately we expect to enter the rich field on the Pacific Coast.

There are other chains which have reached a farther point in their development than ourselves. They are rapidly absorbing their field and must depend upon a maintenance of net profits rather than upon entering new markets to attract investors. They have not the ability to plow back into new units any considerable part of their present profits. And as these markets are absorbed the competition between chains will not be so much in opportunities for expansion, as in the past, as it will be in rendering greater service to consumer and to producer.

In the next decade we may also witness more mergers among chains. There is, however, the danger of the absorbing company trying to digest too great an increase in business at one time. An important personnel problem is likewise involved. The absorbing company may think more of how much it gets in the trade for its stock than it does of the quality of the management it secures for the future. In other words, there are companies that would probably give far more attention to getting a few dollars for their shares than they would for what might be the future opportunities of those shares.

So far as the investor is concerned, however, the field of chain store operation should offer as good a chance for profit as any now before the public because it is economically sound. It is wide distribution that our business world needs and the chain store is certainly outstanding in its ability to achieve increased distribution.

Charles Benedict on What Is Causing the Fear Psychology?

(*Continued from page 516*)

better. Its success, however, can be measured generally only insofar as it checks bank failures, indirectly improves employment and corrects defeatist psychology.

This phase of fear and despair which undermine our energies and courage, is difficult to put into words. It is a matter of public attitude, a spirit of defeatism and of scepticism. Above all, it is a general public disillusionment, a shaking of confidence in our financial and political leaders, a growing doubt that everything can be right with our system.

We see this change on all sides and in virtually every aspect of American life. It can be summed up, perhaps, by saying that the American people is insistent upon debunking itself and its institutions. The most popular musical comedy of the day is a satire on our politics. The most popular humorous magazine of the day is a burlesque of the most familiar business advertising. The depression slogan of America is, "Oh, Yeah?"

It is impossible to escape the psychological meaning of this. Behind its cynical humor is a genuine demand for honest realism. It is a rebuke for the false and misleading propaganda which constituted the sole "remedy" that politicians and leading financiers could offer when disaster swept upon us in 1929. It is a reaction to the misleading unemployment figures which were persistently issued until the obvious facts made further such dissembling ridiculous. It is a reaction to the repeated mistaken predictions of "early business recovery" on the part of our political leaders. It is a reaction to the monotonous demonstration of political futility and evasion.

So far as futility goes, that can be forgiven. No man has the magic to give us a short cut to prosperity. But evasion, side-stepping and bunk can

no longer be accepted. The public generally is now fully aware of the basic nature of our economic troubles. In its individual affairs, it has courageously made necessary adjustments and has adopted a policy of meeting the facts squarely. It now demands the same policy of practical realism on the part of its leaders.

It is significant that nothing said at Washington no longer has the slightest effect upon the markets. Nothing that Washington can say will bring any more confident response than, "Oh, Yeah?" It is only what Washington *does* that now has meaning.

Unfortunately, Washington still gropes and looks cautiously to the national election of next autumn. The Administration of our Federal Government still looks hopefully for early business improvement, as indicated by an error of more than 30 per cent which has already developed in the estimate of needed taxation which the Treasury furnished Congress only last December.

It is this kind of thing—the blind and the timid leading the blind—that destroys confidence in our leaders. It is time to face the facts and to acknowledge them and to cease relying upon the future to solve our difficulties. It is the time to renew confidence by the correction of fundamental causes of present ills rather than to attempt to doctor their effect. Only by such a course can fear psychology be changed. It cannot be changed by drives, nor talk. Action that will make each citizen want to stand on his own feet, rather than be thrown a bone in the form of a dole or other palliative, is needed. A constructive, basically remedial policy will bring support to governmental measures that are recognized as good for the country as a whole and therefore good individually.

Credit Remedy Improves Market Outlook

(*Continued from page 513*)

which have fallen to new lows include copper, tin, sugar, zinc, hides, rubber, cocoa, corn, oats and lard and many of these are at the lowest quotations ever known.

Any general and all-inclusive advance in commodities is hardly to be expected and, if it occurred, probably should be regarded with distrust. The great need is not wholesale advance, but a fairer and closer adjustment of purchasing power in the exchange relationships of commodities and commodity groups to each other. Until this adjustment works itself out, no sound revival will be possible.

Perhaps the most hopeful aspect of the Reconstruction Corporation and of the increased effectiveness of the Reserve System is that these factors enter the picture at a time when credit conditions already were beginning to show modest improvement. The bond market retains the major part of its broad recovery from the panic levels of December and has done so without regard for intermediate stock market reactions.

The Federal Reserve currency figures for the latest week available show a decline of $2,143,000 in notes outstanding. This is slightly less than seasonal expectation but does indicate some check on hoarding. Moreover, bank failures at this writing have dropped to the smallest weekly total of the last year, there having been only seventeen suspensions in the second week of February, accompanied by seven re-openings.

Trade Tendencies

(*Continued from page 546*)

that the Javan crop be reduced to 800,000 tons and that the balance be allowed to rot in the fields, but this has been refused. The combined crops of Cuba and Java, as judged at the present time, will in all likelihood far exceed the requirements of the world for cane sugar in the coming year.

Prices on the New York exchange have already fallen to new lows, 88 cents a pound having been made for March futures. Other options also have sold at new lows. The enforced liquidation of a large firm has added to the pressure upon the sugar market. There is very little buying, many large purchasers believing that the crop question will be yet longer postponed. Consumption of sugar in the United States in the past year declined somewhat and this factor, added to the prospective large crops in Cuba and Java, have scared most buyers out of the market. In the event that no substantial reduction occurs from the above crop figures for the leading producing countries, it is not unlikely that sugar futures recede to lower levels.

Leather and Shoes

Situation More Clarified

The three-month deadlock between packers and tanners was settled in favor of the latter by the agreement, recently executed at Chicago, that the packers would eliminate the 4% extra charge heretofore imposed for trimming hides. This agreement has tended

(*Please turn to page 568*)

"Tips" on Books

Book Review Section of The Magazine of Wall Street

THE WORK, WEALTH AND HAPPINESS OF MANKIND

By H. G. Wells
Doubleday, Doran & Co.

MR. WELLS has taken all knowledge as his field of activity. First he gave us the *Outline of History* which dealt with the macrocosm in general, and our world in particular, and then he gave us *The Science of Life* which treated both structurally and embryologically of all the microcosms which inhabit, or once inhabited, the earth. In the former, man's social background was developed, while, in the latter, his organic development was described in terms of modern biology.

The present pair of volumes completes the description of the tripod upon which man rests, and attempts, quite successfully, to give an economic interpretation of the present in the light of the past. Mr. Well's thesis is that the old world is no longer composed of a number of small or large isolated, self-sufficient, and self-supporting nations, but that all these nations have been welded together into an interdependent whole which must now function in its entirety to attain maximum efficiency. An historical analogy would contrast the family with the state, while for a biological analogy we might contrast the primitive protozoa, which carry on all vital activities in one cell, with the complicated metazoa in which different groups of cells, collected into organs, each carry on one special function. For harmonious existence, however, all the organs must be active and functioning. Our world today is something like the latter. As Wells states, "the World War was the first intimation to many people of how closely states and empires were pressed together. Indians starved in Labrador because the Paris fur trade was disorganized."

Even a short summary of these two volumes is impossible. Suffice it to say that Mr. Wells tells us briefly how man has become an economic animal and a reasoning animal, and how he has conquered distance, hunger, and climate. Work, the organization of it, why people work, and how their labor is recompensed, with the resultant concentration of wealth in the hands of certain families, are all briefly but adequately discussed. Mr. Wells then goes on to the question of the traditional antagonism of the rich and the poor, the role of women in the world's work, the governments of mankind, the members and qualities of mankind, the various outlets (travel, sport, entertainment, gambling, and the arts), and the education of mankind.

Each chapter could easily have been extended into at least a volume, but had that been done, only the trees and not the forest would have been discernible. Mr. Wells has done a stupendous task and acquitted himself nobly.

The illustrations are as diverse and well chosen as those used in *Mrs. Grundy*, and they include such widely separated subjects as mammoth machines, a beauty parlor, Harvard College, the beach at Coney Island, testing laboratories—almost every phase of human activity is at least intimated in these photographs.

The book has faults, but they are those of omission rather than commission. The wonder is not that it is so well done but that it could be done at all. We recommend it as a praiseworthy and notable effort to explain how the world works and plays.—W. F. D.

Facts, News and Comments

The New York and Chicago Creditors' Committees of the stock exchange firm of Pynchon & Co., which failed on April 24, 1931, have announced a plan of composition designed to make unnecessary the usual bankruptcy liquidation.

* * *

James Hanley, formerly with Clark, Childs & Co. and John Z. Adams, formerly with Schuyler, Chadwick & Burnham, have become associated with Meffert & Co., members of the New York Stock Exchange and the Chicago Board of Trade.

* * *

Rudolph Guenther-Russell Law, Inc., have made a distinct departure from their business as specialists in financial advertising, with the inauguration in their agency of a general advertising division under the direction and management of L. Jay Hannah. All forms of advertising, including radio broadcasting, will be included in this division.

(*Continued from page 567*)

to restore uninterrupted marketing of hides, although too late to prevent the packers' stocks from disrupting the futures market. On the New York Hide Exchange prices of March options fell from 6.60 cents a pound to 5.30 cents within one week and further softness may transpire eliminating the normal spring price advance in hides.

Although shoe manufacturing usually reaches its peak output in the autumn months and from then on declines slowly through spring, an unusual outburst of activity has materialized recently and New England factories are working overtime to supply urgent retail demand. A noticeable improvement has been registered in the higher priced division. The heavy recession in hide prices may be passed on to the manufacturers by the tanners and if this tendency becomes pronounced it may bolster declining profit margins. During the past two years the shoe industry has suffered through the fact that a buyers' market has been the major characteristic but signs of a change from this status are appearing. Most of the output of American shoe makers has been marketed in domestic channels, exports of boots and shoes having declined steadily since 1923. The imposition of a higher tariff has effectively diminished the volume of foreign shoe imports into this country.

Lumber

Demand Low—Profits Small

Retail lumber sales have displayed a steady downward trend since 1926 regardless of variations in general business. In the past two years, however, a more drastic decline has developed and at the present time no indications of recovery are visible. For the country as a whole, sales of lumber in January were 8% less than in December, and February sales may register a further slump. Both residential and office building contracts have continued to decline to the lowest stages witnessed in years and the rate of shrinkage in lumber demand for new construction this spring may be aggravated.

Prices have sagged as the result of lessened demand rather than from accumulation of unsold stocks overhanging the market. Mill cuttings have been lowered to conform to diminished requirements and supplies are small, about 10% less than at this time last year and over 30% less than in the peak year 1925. Railroad traffic in lumber products has suffered drastic losses, the recession in haulings approximating 30% of the 1929 movement.

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